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1983

FACT BOOK

on

Direct Marketing

Statistical Update

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The Direct Marketing Association, Inc. is the largest and oldest international trade association representing users, creators and suppliers of direct mail advertising and other direct marketing techniques. DMA's 4933 members from 2871 companies represent a cross section of business and are located in all 50 states and 39 other countries. Offices are located at 6 East 43rd Street, New York, NY 10017, 1730 K Street, NW, Washington, DC 20006, and 47 rue de la Chaussée d'Antin, 75009, Paris, France.

DMA MEMBERSHIP SYMBOL AND SLOGAN

In October of 1980, the new Membership Symbol was introduced and the following year, the Membership Slogan was unveiled.

The Symbol is meant to convey a sense of identification to all of the direct marketing community within DMA. All members are urged to use the symbol whenever possible. Only through repeated use will the Symbol be recognized and its meaning reinforced. Members are using the Symbol as a postal indicia, in catalogs, on letterheads, pamphlets, in magazines, on order forms and even on business cards.

The Slogan is meant to educate the consumer to the *direct* method of shopping.

Repro sheets of the Symbol, Slogan and Symbol ads are available from DMA Headquarters, 6 E. 43rd Street, New York, NY 10017; Attn: SYMBOL.

Look for this symbol
when you buy direct

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As the direct marketing field continues to grow very rapidly, the task of preparing a comprehensive Fact Book has become increasingly challenging. Yet, with each edition new sources of information have been uncovered, more sophisticated statistical techniques have been developed, and an increasing number of leaders in the field have lent their expertise.

The promotional committee and advisory board, whose members are listed below, provided knowledge, continuity and counsel in the preparation of the Fact Book. On the DMA staff, Bonnie DeLay had responsibility for overall coordination, ably assisted by Kathy Rodriguez, Anna Pedreiro and Ruth Troiani.

Advisory Board

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These committees provided unusual support for the staff. Their determination to produce the best possible Fact Book was evidenced by exhaustive meetings among themselves and with countless outside sources including the Census Bureau and the U.S. Department of Commerce. Martin Baier, Old American Insurance Company, and Henry R. "Pete" Hoke, Jr., Hoke Communications, are continuing work with the Census Bureau. Some of these meetings have led to what will become an ongoing relationship, to evolve more and more statistical information for the medium.

Reliable statistics in this widely diversified field are, at best, difficult to come by. Although some of these figures continue to be "best estimates," more and more by process of survey, use of new sources, and continued research, we are able to produce definitive material. Documentation of the statistical data in this 1983 edition is a far cry from the initial effort in 1978 to qualify this growing method of marketing. During the past three years, there has been a considerable reliance on the professional guidance of HAI, a New York-based statistical analysis group. Their survey methods and the continuity provided by their work is bringing this field data that can be used with increasing confidence. The new DMA Research Department has also contributed to the 1983 statistics.

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A Change in Name

During the last decade or so, direct marketing has become a multi-media field. In addition to direct mail, its traditional medium, direct marketing has demonstrated its effectiveness using other media including telephone, print (newspapers and magazines), television (both commercial and cable), radio and coupons. New media such as teletext and videotex also appear to offer important new potential for direct marketing.

Today's direct marketing programs often use combinations of advertising media for greater reach and efficiency, while retaining the characteristic ability to account for results.

Reflecting this evolving and multi-media nature of direct marketing, the Association's members voted on November 2, 1982 to change the organization's name to the Direct Marketing Association, Inc. (DMA) from the more limiting Direct Mail/Marketing Association, Inc. (DMMA).

Since some of the material in the 1983 Fact Book was prepared before the name change and some was prepared after it, there are references to both DMA and DMMA in this year's edition.

Foreword

This is the sixth edition of the *Fact Book on Direct Marketing.* In the years since the first one was issued, the Fact Book has become a popular reference guide.

Like its predecessors, the 1983 edition presents extensive background on the traditional and time-tested areas of direct marketing. In addition, the new trends and developments in this rapidly-growing field are highlighted.

The basic concepts and techniques of direct marketing are presented by many of the same knowledgeable authors whose names appeared in previous Fact Books. New authors have been called upon to write about the many recent changes in direct marketing technology and management.

Direct marketing is now an international field and that fact is evident throughout the 1983 edition.

Although the United States continues to have the largest and most complex direct marketing activities, there are now DMA members in 39 other countries. It is worth noting that many of the new advances in the field (particularly in electronic marketing) are originating outside the U.S.

Thus, while being realistic about the scale of the task, a special effort has been made in the 1983 Fact Book to survey the global field and bring together data from as many countries as possible.

The 1983 Fact Book also recognizes the increasing importance of "electronic marketing." What is significant and exciting to the direct marketer is the relationship of these new electronic miracles to both in-home shopping and business-to-business communication. This bodes well for today's direct marketer and for those companies and organizations who recognize these new methods as supplementary or complementary to their present marketing methods.

Retailers, business/industrial marketers and financial services organizations, in particular, are turning to direct marketing to add to the effectiveness of their overall marketing efforts. Despite serious worldwide economic problems, direct marketers are generally finding themselves "better off" than traditional marketers. Their growth rate is faster and they are gaining increasing respect for their ability to meet contemporary consumer needs and to account for results. The use of virtually every type of advertising medium, and the potential of such new ones as teletext and videotex, is also broadening the current impact and adding to the long-term opportunities for direct marketing.

Among advertising media used by direct marketers, telephone is growing very rapidly and that situation is reflected in this Fact Book. For 1981, telephone accounted for the largest estimated total expenditure of any advertising medium. All of these media are keyed to results and that is what today's marketing is all about.

The surge in cable TV and other new electronic media may give rise to the idea that today's catalogs, mail communications and print mail order will become a thing of the past. Don't you believe it.

Despite the explosion, most informed observers on the scene are confident that the traditional techniques will still be with us in the future. Sure, there will be change—we are, already, experiencing a bit of it. Yes, we are moving with the times. And yes, progress is taking advantage of the tested new devices that will make shopping more convenient. But the best of the past will work in the future. Maybe in different forms. Maybe with new vehicles. Maybe in new markets.

Whatever happens in this exciting and changing world, you can believe that direct marketing is going to account for substantial growth.

It is our intention that this Fact Book reflect that growth. Use it as a reference guide as we continue to re-evaluate, redefine, delete, add to and improve each new edition.

Robert F. DeLay
President
January 1983

A History of Direct Marketing

by

Nat Ross

Lincoln Graphic Arts, Inc.

The history of direct marketing, and its antecedent, mail order, is a reflection of the socio-economic development of the United States. This is the constant and underlying factor in the direct marketing and mail order story. It is as true today as it was in 1872 when Aaron Montgomery Ward produced his first catalog ushering in the modern era of mail order as we have known it over the past hundred years. This also explains why long-term success in direct marketing has always been inextricably linked to two essential factors: the ability of management to predict, and even to anticipate, the impact of socio-economic change on the marketplace and life styles, as well as the implementation of a sound marketing program which offers products and services that satisfy the changing needs, wants and interests of the consumer.

A. The Roots of Direct Marketing

Researchers have traced the roots of direct marketing to Europe as it emerged from the Middle Ages and feudalism and entered the Renaissance. The first trade catalogs were those issued by printer-publishers of the fifteenth century soon after Gutenberg's invention of moveable type (c. 1450). Credit for the oldest extant catalog which gives the prices of the books offered goes to Aldus Manutius of Venice. In 1498, under the logo of the dolphin and anchor, he listed 15 texts which he had published. The Aldine Press became famous for its reliable and inexpensive books by Greek and Latin authors. These were printed for the intelligentsia of the day, in small octavo format, in editions of 1,000—more than double the press run customary at that time. Manutius was truly the original precursor of the *paperback books of today.*

Seed and nursery catalogs are among the oldest known to us. Professional gardeners were trading in plants as early as the fourteenth century. The earliest mercantile gardening catalog extant is a printed price list issued in 1667 by William Lucas, an English gardener. By 1775, 18-page catalogs were being issued by a number of English gardeners and nurserymen. By this time, the nursery catalog had come to England's American colonies as well. A broadside catalog of fruit trees was published in 1771 by William Prince of Flushing, Long Island. It is worthwhile noting that George Washington visited Prince's gardens in 1791 and that Thomas Jefferson was an inveterate mail order buyer both domestically and in Europe.

B. Benjamin Franklin's Book Catalog, 1744

Benjamin Franklin, the first important printer in Colonial America, published a catalog in 1744 of "near six hundred volumes in most faculties and sciences." Perhaps the then-novel Quaker idea of selling goods at the same price to everyone induced him to print the following statement on the cover: "Those persons who live remote, by sending their orders and money to said B. Franklin, may depend on the same justice as if present." Franklin's catalog is remarkable, among other reasons, for its early formulation of what was later to become the basic concept of consumer satisfaction guaranteed. The names of Washington, Jefferson and Franklin in this early genesis of direct marketing are an indelible reminder of how deep its roots are in the history, soil and character of the American people.

By the 1830s, a few mail order companies began to operate in the New England states selling sporting equipment, camping, fishing and marine supplies. By the end of the Civil War, mail order activity had expanded to other parts of the

country. In addition to seed and nursery products, such items as sewing machines, dry goods, medicines, musical instruments and other products were being sold by mail order. Each firm sold a single line of products and very few sold exclusively by mail. Mail order ads were being carried by some magazines.

C. Another Facet in the Genesis of Direct Marketing

Another potent branch in the growth of the predecessors of direct marketing developed at the end of the eighteenth and into a good part of the nineteenth century. It was the role of the farm-to-farm salesman, the proverbial Yankee peddler. A pioneer in this process of direct selling was Eli Terry, a Connecticut custom clock maker. He first made four identical clocks, packed them in saddle bags, and, in 1798, set off on an uncertain and hazardous trip to sell the clocks to doubting farmers. To enable him to make any sales at all, Terry used what were then unheard of techniques but which have become, in our time, standard in direct marketing. He pioneered the free trial offer and soon, thereafter, installment selling. Later, with the help of his neighbor, Eli Whitney, he learned the secret of mass production by using interchangeable parts. In three years he had sold 5,000 clocks and had reduced the price from $25 to $5—an amazing achievement for the times.

The ubiquitous Yankee peddlers of the eighteenth and nineteenth centuries were stout-hearted, sturdy-legged and strong-willed people who trudged the wild and rough countryside of New England, and later the Middle Atlantic, Midwest and Southern States. They were truly forerunners in the vast development of retail and mail order distribution as well as in the growth of the American economy. Suffice it to state that Adam Gimbel peddled notions in Indiana before the first Gimbel store was opened in Vincennes in 1842. John Jacob Astor sold bakery products door-to-door in New York before going into the fur trade. B.T. Babbitt was a peddler before his Ivory soap became a household word. The father of John D. Rockefeller was a peddler of patent medicine. For 200 years the direct distribution of products by peddlers had proceeded without the intervention of the general store and other middlemen. By the middle of the nineteenth century, the Yankee peddler had become a paramount fact of economic life.

D. The Modern Era of Mail Order Begins

It was not until the post-Civil War period that catalog mail order emerged and grew into a powerful force which became the direct precursor of today's direct marketing. Its main beginnings were in the Middle West at a time when agrarian unrest was rife. Farmers were embittered by the high prices for goods they bought and the low prices for produce they sold. *The National Grange of the Patrons of Husbandry,* the farmers' principal organization, with a membership of nearly half a million, trumpeted its main slogan everywhere, "Eliminate the Middleman."

As a traveling salesman (peddler) in the Midwest, Montgomery Ward had observed that the general store (which has become part of American mythology) was, in reality, a place where the range of goods was limited, the prices high because of numerous intermediaries, and the storekeeper's knowledge was rarely greater than the farmers who bought from him. Ward returned to Chicago with a prophetic idea. He wrote in his diary: "Having had experience in all classes of merchandise, and traveling salesmen, and a fair judge of human nature, saw a great opening for a house to sell directly to the consumer and save them the profit of the middleman." And that is precisely what Ward did.

He established a direct tie with the National Grange and headlined his one-page catalog sheet listing 163 items, "The Original Wholesale Grange Supply House." In the early years most of the items were priced at $1, as for instance: Item no. 1 was "12 yards best quality prints $1.00." Other one dollar offerings included red flannel, Kentucky jeans and other yard goods for home sewing, hoop skirts, bustles, paper collars, cotton hose, hemstitched handkerchiefs, wool socks, boys' winter caps, shawls, oil cloth table covers and "ostrich plume and 3 bunches fine French flowers." A lady's ring was $3, an ice pitcher $2, "1 gent's cassimere coat (send size) $3.50," a huntingcase watch $6, a backgammon set $1, a stereoscope and six views $1.

With two partners and a total capital of $1600, Ward had succeeded in introducing a new method of distribution to meet the needs of the marketplace, an efficient and direct way of doing business by eliminating the retailers, the ubiquitous general store and other middlemen. The modern era of direct response marketing had begun. Perhaps Ward himself was not fully aware

of how powerful his revolutionary idea would become. By the end of the century there was no doubt of the immense power and growth of the new mail order idea. For "Greater than the tread of mighty armies is an idea whose time has come." (Victor Hugo). By 1884, the Ward catalog continued to prosper and consisted of 240 pages with thousands of items. Ward was a shrewd, honest and progressive merchant whose business policies continue to have vital lessons for direct marketers today. The Ward catalog dated Spring/Summer 1875 contained one of the earliest, and certainly the strongest pledge of consumer protection by a company. On the inside front cover the following appeared: "We guarantee all our goods. If any of them are not satisfactory after due inspection, we will take them back, pay all expenses and refund the money paid for them."

At a time of *laissez-faire*, when the general rule of business was *caveat emptor* (let the buyer beware)—or the less elegant, "Never give a sucker an even break," Ward's belief in mutual trust by buyer and seller startled businessmen while comforting customers. Ward himself gave much of the credit for his success to his customers. He noted, "The ever-growing trade we enjoy, proves that after all the people of this country are not such fools as some merchants and manufacturers think they are."

E. The Beginnings of the Sears, Roebuck Phenomenon

It was the same unprecendented pace of change that swept the country during the final third of the nineteenth century that triggered the entry of Richard Warren Sears into the mail order business with the sale of watches in 1886. A young railroad telegrapher, Sears was at the junction of the then most advanced mode of transportation—the railroads—and the most important form of communication—the telegraph. Sears was a brilliant salesman and merchandiser. All the catalog copy was written by Sears himself, and the friendly, albeit sometimes hyperbolic style, became a trademark during the early years. He countered Ward's headline "Cheapest Cash House in America," with his "Cheapest Supply House on Earth." Sears, Roebuck & Co. was formed in 1893 and by 1897 the catalog had approximately 700 pages with 6,000 items. Five years later Sears distributed 500,000 Spring catalogs and by 1906 sales exceeded $50 million.

F. The Growth of the American Economy

Both Ward and Sears were aided immensely by the post-Civil War industrial growth, and the phenomenal advance in manufacturing spurred by the use of interchangeable parts. In 1860, the U.S. was in fourth place among industrial nations; by 1900 it had moved to first place in the world in industrial production. The United States population was over 38 million in 1870. It doubled by the opening of the twentieth century.

So it was in the latter part of the nineteenth century that catalogs became an important and powerful sales tool, a dynamic form of direct marketing. For the widely scattered farm families of that period, a Sears or Ward catalog was often the only book at home except for the family Bible. These catalogs were appropriately referred to as the Farmer's Friend. It was frequently from them that farmers first learned of new mechanical equipment that would vastly increase their productivity. Their wives discovered sewing machines and other labor-saving devices that would reduce their workloads. Parallel to this, the seed and nursery catalogs of the nineteenth century helped teach farmers which grains, fruits and vegetables to grow on the land they were settling.

G. Catalogs — Gold Mines for Historians

But above and beyond the expanding role of catalogs as an effective direct marketing tool, they were a vital cultural force. In the schools of rural communities, catalogs were widely used as text books and the children began to dream of products they had never seen before. Later, at the beginning of this century, catalogs became a key factor in the distribution of autos and radios, which helped to free the rural family from its previous isolation.

Catalogs are gold mines for historians. The Sears and Ward catalogs have been aptly called "illustrated encyclopedias of social history." The products they present give a summary of the state of technology, economics, fashions, literature, life styles and even the morality of the times. The policies Sears and Ward pursued of presenting a great variety of products, at a fair price with good service and customer satisfaction guaranteed, helped to establish catalogs as a reliable form of direct distribution for millions of Americans. At the time of his death in 1914, Richard

Sears' name was part of American folk culture, as was Aaron Montgomery Ward's who died a year earlier. Rural politicians would tell their constituents, "There are three people you can trust—Jesus Christ, Sears-Roebuck and me." Catalogs had become fixed in the marketplace and the American psyche.

H. The Birth of the Book-of-the-Month Club

The continued unabated growth of industrial and farm production and the waves of immigration that enlarged the population, were spurs to the new cultural and social winds that were blowing across the land in the first third of our present century. A national political resurgence was slowly evolving, along with a renaissance in philosophy and education, in literature and art. This was symbolized, in part, by Theodore Roosevelt and Woodrow Wilson, William James and John Dewey, Theodore Dreiser and Sinclair Lewis, William Faulkner, Eugene O'Neil, Frank Lloyd Wright and others. The 1920s marked the appearance of *Time*, the *New Yorker* and the *Saturday Review of Literature*.

Harry Sherman was an integral part of this literary and artistic resurgence. In 1914, he became a member of a lively discussion group in Pleasantville, New York, whose members included Walter Lippman, the innovative publishers Charles and Albert Boni, Lawrence Langner and Josephine Meyer, both of whom later founded the *Theatre Guild*. The Pleasantville group buzzed with ideas—artistic, philosophical, political, sociological.

It was out of this social environment that another milestone in the direct marketing saga was reached when Sherman and Maxwell Sackheim founded the Book-of-the-Month Club in 1926 with the use of a new direct response technique—the negative option. Both of these men were veteran direct marketers. They were aware of the paucity of book stores outside the big cities; they knew that over 50,000 post offices were capable of delivering direct mail and books economically and expeditiously. Equally, if not more, important, was the increase in public secondary and higher education which included, for the first time, large sections of second-generation Americans eager to acquire an understanding of the new American tradition and experience while maintaining their European cultural links. All of this led to a vast interest and desire for good books. And in this socio-economic and cultural environment, the Book-of-the-Month Club was founded, and flourished over the next half century. In 1927, the Literary Guild was established by the Doubleday Company and is today the single largest book club in the U.S. In 1950, Reader's Digest started its direct mail operation and is today one of the largest and most successful operators in the direct response promotion of its magazines, books and other products.

I. The Beginnings of Direct Mail

As early as the 1860s a few firms were using direct mail in the form of informational circulars and handbills to advertise their wares. Direct mail as we know it today was made possible by the typewriter which was invented in 1867 and began to appear in many offices toward the end of the century. This spur to direct mail was also an impetus to the opening of the first lettershops, such as the Business Address Co. of N.Y. (1880) and R.L. Polk & Co. (1890). Perhaps the first big users of direct mail advertising were the National Cash Register Co. and Burroughs Adding Machine Co. They were already sending out large quantities of mail in 1904 and 1905. John H. Patterson, founder of NCR, pioneered the use of direct mail to get qualified business leads for salespeople. Homer J. Buckley, who coined the term "direct mail," founded Buckley-Dement in Chicago in 1905, the first company to offer professional direct mail creative services. In 1921, Leonard J. Raymond established Dickie-Raymond with the idea that it made good sense for major corporations to use a direct mail agency in addition to a general agency.

It was also during this period that the Direct Mail Advertising Association, predecessor of the Direct Mail/Marketing Association, was established (1917), and third class bulk mail was instituted in 1928—signs that direct mail was coming of age.

J. Postwar Emergence of Specialty Firms

The years following the defeat of Nazi Germany in 1944 brought still another direct marketing advance. Goods were scarce and demand high. It was a seller's market. The vacuum it created gave rise to a host of specialty companies such as Miles Kimball (started in the late '30s), Spencer Gifts, Sunset House, Foster and Gallagher, Hanover House and others. These specialty item catalogs often featured new low-priced products and gadgets of both domestic and, es-

pecially, foreign manufacture. This period also saw the phenomenal genesis of Fingerhut and the growth of a variety of cheese and food companies, nurseries, and many others.

For the two decades following the war, the United States was the unchallenged economic and political world power. The expanding economy was embracing larger segments of the population, including increasing numbers of the affluent professional and middle classes.

A revolution of rising expectations exploded during the '50s and '60s which extended across the entire political spectrum. It was expressed in the consumer and environmental stirrings, the student and youth rebellions, the civil rights, women's liberation and senior citizen movements. These popular strivings impacted the entire social fabric and, not the least, the marketplace.

Direct marketing flourished during this period. At the end of the '50s, Time-Life Books got underway to supply the educated and affluent population with books of fine quality, both in content and format, albeit these books were used occasionally as coffee table "printature." In the next twenty years (1961-1981) Time-Life Books published 546 different book titles, sold over 277 million volumes. They were translated into 27 languages. A footnote to these developments was the early effort by Time-Life Books to use the parent company's house lists as a source for planning new products and new business . . . a practice which has become widespread in direct marketing.

In 1961, Franklin Mint began its direct mail promotion with precious metals in the form of coins and ingots, expanded later in a vast array of collectibles, fine books, art objects, collectors' records and crystal. It entered the 1980s with annual sales of about $360,000,000—a large portion of this in porcelain collectibles. In 1981, Franklin Mint was acquired by Warner Communications, the entertainment giant. Steven J. Ross, Warner's chairman, had been impressed by Franklin's performance in "broadening the base of its business." He had also been attracted to the company because "direct response marketing will be an increasingly important method of selling a wide variety of products." At the same time, Warner regards Franklin's mailing list of two million well-to-do people as useful in marketing such Warner products as records, books, video cassettes and videodiscs. Added to this are the enormous possibilities for direct marketing in pioneering and expanding cable television and the interactive QUBE operations of Warner-Amex Cable Communications.

The Columbia Record Club came on the scene in the postwar years in response to the growing music market, particularly among the mass teen, student and youth population and achieved a massive growth that continued until the end of the '70s.

K. Early Success of L.L. Bean

A review of the direct marketing industry would be incomplete without some comment on the legendary L.L. Bean. In 1912, this small entrepreneur—armed with $400 and with courage, integrity and foresight—founded one of the soundest and most successful mail order companies on the strength of a rubber-soled leather hunting boot he had invented. In the early years, sales improved slowly but surely, as the company began offering new products in outdoor clothing and equipment. By 1967, sales totaled $4.6 million. In the decade between 1967 and 1977, sales increased 12-fold to almost $60 million. In 1980, sales reached $121 million as more new products and broadened product lines were introduced in men's and women's apparel, sporting goods and equipment in outdoor recreational activities. L.L. Bean recorded a growth rate of over 25% between 1967 and 1975. Between 1975 and 1980, the company's average return on equity was over 30%. The house file consisted of 2.2 million active customers. Women comprised 52% of the customers in 1980 compared to 25% in 1975. More than 26 million catalogs were mailed in 1980. The best customers received nine catalogs in 1980 compared to five in 1975. New customers were acquired by direct mail and print advertising. An interesting foot note is the fact that four out of five families in the fashionable Dakota Apartments in New York City received the Bean catalog. Throughout 70 years the basic L.L. Bean policy has remained unchanged. As the founder stated it, "Sell good merchandise at reasonable prices and treat your customers like human beings and they'll always come back for more." To this day trust between company and customer remains the bedrock of policy. Direct response ads are as simple and clear as in the early days. Catalog copy describes the merchandise consistently and fairly. Promotion continues to be low key. Emphasis is on order fulfillment which is efficient and expeditious, and on customer service and satisfaction which remain paramount. The major operational change in these seven decades has been the introduction of a data processing system which has improved fulfillment and customer service as sales exploded.

The management of L.L. Bean has been guided by a fundamental policy of long-term growth and profitability rather than short-term profit aims. The company was quick to recognize that profound social changes were taking place during the 1960s which would transform the outdoor sports and recreation field from a "class" to a "mass" market. As the recreation boom was on its way, L.L. Bean innovated with additional men's and women's quality products, displayed in 4-color catalogs, to satisfy the emerging interests of the mass of new consumers. A similar policy in the outdoor sporting specialty business accounts for the success and growth of the Eddie Bauer Company. Perhaps a failure to understand this crucial change from a class to mass market explains the demise of other mail order firms in the outdoor field.

L. A Retrospective Look at Sears' Growth

From its modern inception in 1872, the term "mail order" has served as an accurate and felicitous phrase. For over 50 years mail order was a precise term . . . order by mail. During this period, the post office was the primary, and, usually, the sole vehicle for mail order promotion, ordering and delivery. As times and conditions changed, the means for carrying out the mail order operation also changed and improved. This can best be seen by examining the development of Sears, Roebuck.

With the aim of increasing sales to its customers, Sears introduced credit in 1911. (Spiegel had been the pioneer in offering credit on easy terms by mail in 1905.) The extension of credit has been one of the major factors in mail order growth. In 1980, 25 million U.S. households held active charge accounts with both Sears' stores and catalogs. A similar trend was true of the other companies in the "Mail Order Big 5." And credit continues to assume an ever larger proportion of total sales.

M. Impact of Social Change

In October 1925, Sears opened its first retail store in Evansville, Indiana. (Ward opened its first retail outlet in Vincennes, Indiana in September 1926.) Thus began a trend that is highlighted today by the increasing reciprocal interconnection between mail order companies and their retail outlets. If we are to understand the evolution of mail order, we must answer the question: Why did Sears move ahead so rapidly with the opening of retail stores from the '20s into the next few decades? The answer lies in its management's uncanny social vision and ability to anticipate the effect of social change on the marketplace and consumer buying habits.

During these years profound changes took place. This was reflected in the growth of the automobile and the national highway system, the Great Depression of the '30s, vast demographic changes in a continually increasing population, World War II and its aftermath. By 1920, half of all Americans were living in rapidly growing urban centers. The auto was responsible for transforming the social map of the United States, particularly for the rise of the cities (and later their decline) and the suburbs. The auto determined how and where we lived, worked, shopped, used our leisure, and where we located our factories, schools, hospitals, churches and shopping centers.

It was Sears, the country's largest dry-goods merchandiser, that became the pacesetter for auto accessories, tires and supplies, as well as for the new household appliances and other durable goods. Sears became the main supplier to a population eager to get the new products they needed, and wanted to satisfy their changing mores and lifestyles. In the '50s, Sears took the lead in setting up a network of catalog desks, catalog stores and agencies in key urban and suburban areas of the country to provide for the new and growing demands of the catalog mail order business. During the '60s, the telephone became the major vehicle for ordering from the Sears and the other "Big 5" mail order catalogs. The introduction of the 800 incoming WATS lines vastly expanded ordering by telephone. In 1980, only 3% of Sears' catalog orders came via the mail, while 87% of catalog orders came via the telephone. It should also be noted that the Big 5 mail order companies employ hundreds of telephone operators to solicit orders from their customers for new and special merchandise and for other sales purposes.

N. The Sears Phenomenon

An historic review of the Sears catalog, now in its 97th year, has profound lessons for direct marketers. In 1980, the 300,000,000 catalogs contributed about $4 billion of Sears' annual merchandise revenue.

According to J.B. Kelly, Vice President, Catalog Sales (now retired), the Sears catalog has numerous functions, most of them marketing, as follows:

1. To sell the company's goods: (the function of advertising and promotion).

2. To develop specific geographical areas into markets when it becomes logical to open a retail store.
3. To use the catalog to supplement the store's assortment and selection. (A large assortment of curtains is easy to display in a store and takes up a few square feet of space. Bedspreads and quilts look best when displayed on a bed and that takes lots of valuable floor space; ergo, Sears' catalogs have a minimum assortment of curtains, but a wide display of bedspreads can best be shown covering dozens of pages in the general catalog.)
4. To use the 17 specialized catalogs to develop volume businesses you are not in or cannot be in with a general department store. These catalogs include western style clothing, clothing for big and tall men, floor coverings, toys, tools for the home, etc.
5. Use the catalog to increase credit account customers.
6. As a forerunner of future business direction; e.g., the opening of five business equipment specialty stores selling small business computers and software, copying machines, calculators, typewriters, word processors and dictation machines. (Compare this with the plans of IBM and Xerox who envision opening hundreds of similar-type stores without the wealth of information and knowledge accumulated by Sears in the last several years in its specialized catalog of office supplies and equipment.

Sears' view of the catalog as a marketing force rather than as an advertising tool is known internally as "total marketing." And marketing is viewed as "an orientation towards running a business." This approach might well explain why Sears is in the vanguard of exploring, experimenting with and testing the new world of the electronic catalog.

Finally, it should be noted that Sears has one of the most comprehensive catalog circulation systems in its computerized customer file. This system keeps records of the catalog purchases of 30 million households. It arranges these customers not only by what their purchases have been and, even more important, develops a dollar estimate of what each customer will buy from a Sears catalog in the next 12 months, if given one. These records are strengthened by an extensive and continuing research and testing of customer attitudes toward products, services, copy, art.

Sears' research has shown that the retail-catalog interaction is beneficial to both sides of the business; e.g., a family that receives a catalog is twice as likely to shop in a Sears store and spend twice as much as a household which hasn't received one.

O. Increased Direct Response Media Activity

Direct response advertising in magazines and newspapers has continued through the years. It reached a turning point in 1959 in the form of a four-page bound-in card stock centerfold insert with a perforated BRC which appeared in *TV Guide* and was created by the Wunderman, Ricotta & Kline Agency for the Columbia Record Club. This revolutionary production technique opened up new print possibilities including bind-in inserts in a wide variety of forms. It was a factor in the rapid growth of other types of direct response print advertising, including the meteoric growth in free-standing newspaper inserts.

It was in the '60s and '70s that TV direct response advertising increased in volume and quality, both in direct sales of books, records and other merchandise and as a support medium for direct mail. The latter technique was introduced by Reader's Digest in 1969 and its success in increasing direct mail response led to a considerable growth in this type of TV support commercials by other direct marketers. With the increased use of new media and new techniques in the '60s, the term "direct response" (or direct response advertising, and later direct response marketing) came into vogue, and rightly so.

Beginning in the later '40s, direct mail took a large step forward both in volume, quality and a vast variety of formats, including the greater use of four-color brochures. New promotional techniques—stamps, tokens, sweepstakes—were becoming widespread and often more effective. During the '60s and '70s, direct mail continued to be the underlying base of the multimedia revolution with the list as its core. This development was aided by the computer, ZIP codes and census tracts as tools for market segmentation.

P. Credit Cards Spur Growth

The credit card revolution that began in the '50s and continues unabated has had an enormous impact on direct response marketing across the board. It has opened new vistas in high ticket merchandise and syndication. There are an estimated 600 million credit cards in the United States. This trend has been especially manifest

among large oil companies, banks, airlines, American Express and other T & E cards. The first T & E card was established in 1950 by Diners Club and followed by American Express in 1958 and Carte Blanche in 1959. The Bank of America introduced its card in 1958, followed by banks throughout the country in the '60s and '70s. American Express has greatly enlarged its direct mail and catalog merchandise activities to sell quality, higher-priced products in an effort to develop a profit center as well as to enhance its corporate image. In 1980, the company sent out 200,000,000 pieces of mail to attract new card members. American Express is the largest single client of the New York City Post Office and one of the three or four largest users of direct mail in the nation. In 1980, the company sold 525,000 Carnegie Hall records; 6,000 King Tut busts; 31,000 Gorham plates; 13,000 Panasonic TV sets. In the first week of its Christmas 1980 catalog, seven gold-plated DeLorean sports cars were sold at $85,000 each. In four years, 12-million Dutch tulip bulbs were sold. In 1980, American Express issued a special China catalog and other special catalogs are in the offing. From $29 million in sales in 1974, sales in 1981 rose to $150 million in the Merchandise Sales Communications Division of American Express. The division sent out 44 different catalogs and direct mail packages that year. Similar merchandise efforts are apparent among banks and other companies in the credit card field or with credit-approved lists. Another example is the increased direct response activities of airlines, especially with in-flight catalog books featuring gifts, accessories and other fine products.

Q. The Evolution of Syndication

Syndication in direct response of any significance had its beginnings in the '50s with such products as tools, dinnerware and some other merchandise. But the main impetus came in the next decade when the oil companies entered the field. One of their aims was to increase traffic at their stations. In 1959, Bell & Howell launched the Robert Maxwell division to promote its movie camera for $150 . . . a high price for any mail order merchandise in those days. It had enormous success in the mail order field and in syndication. For many companies, syndication was a highly profitable business in the 1960s. The inclusion of sweepstakes offers often increased response substantially. Syndication utilized a variety of formats including solo mailing packages, statement inserts, remittance reply envelopes (bangtails) and catalogs.

The substantial profits for all parties that existed in the early years of its growth is no longer the case at the beginning of the 1980s. Lower response as syndication proliferated and the cost squeeze in postage, printing, merchandise and financing have created new and serious problems for some syndicators. A decline of syndication by oil companies as a result of the energy crisis in the late 1970s has further complicated the situation. The recent emphasis by syndicators is on the use of inserts and bangtails instead of solo direct mail and on efforts to develop long and short-term continuity programs.

R. The Significance of the Increase in Working Women

Perhaps the single most important social factor that has influenced the marketplace has been the meteoric increase in the employment of women in the past decades. In 1981, 45 million, or over 50% of all women, were in the labor force. Women comprise 43% of the entire work force in the United States. Of 19 million new jobs added in the past decade, 11.5 million went to women, or three out of five. In 1979, 1.4 million of 2.1 million new jobs went to women, or two out of three. According to a Louis Harris poll for *House & Garden Magazine*, 66% of working women 25-40 years of age represent dual income households with children. 70% of households being formed are two-income households, and they will dominate the marketplace of the '80s. The Post-Industrial Society, as it is sometimes called, is more and more female-centered in employment. 70% of all jobs are now in the service industries: health, travel, leisure and recreation, art and entertainment, non-profit institutions and associations, civil service, education, information and knowledge industries (including R & D), new communications and communications industries, data processing services, etc. The Information Society that has advanced by leaps and bounds is also female-focused in jobs. In 1900, 10% of the workforce was in the Information Industries. In 1980, almost half the workforce (which included a large number of women) were employed in generating, processing, storing, distributing data and information. The information industries account for half of the GNP.

The AT&T Annual Report (1980) states that the business sector of the information market, (i.e., business telecommunications, data processing, word processing and handling, business

travel) stands at $200 billion annually and is expected to triple by the end of the decade. According to Prof. Eli Ginsberg (*Scientific American*, March 1981), the production of goods in 1978 comprised 34%, and services 54% of the gross national product. In 1977, 25 million (32%) of the workforce was employed in the production of goods, 54.4 million (68%) in the service sector.

S. Changes in the Marketplace

For direct marketers, it is vital to recognize that this social transformation is changing the marketplace. According to a recent psychographic study, families with two incomes entertain more, use stereo, are into do-it-yourself, are prime prospects for microwave ovens and their time-saving system of meal planning and preparation, as well as the new products of the telecommunications and televideo revolution.

Today's consumers are more educated and sophisticated and more skeptical of advertising. They want more information and less exaggeration. In these inflationary times consumers want sound value; i.e., quality at a reasonable price. They are concerned with the quality of life, self-realization and a variety of experiences achieved without always acquiring products. It is a matter of fact that a multiplicity of markets exist side by side and are ever-changing; that the individual consumer is contradictory at different times with changing values and attitudes, and with distinct tastes and interests which make up his or her lifestyle. In this complex situation more direct marketers are embracing the modern marketing concept which tries to get the company to stock and even anticipate what the consumer wants and needs. Fortunately, new technological tools and advances in biology, psychology and the social sciences make it possible for direct marketers to become more professional in long-range planning, innovation and product development and in market research and analysis, in order to better zero in on what makes the consumer tick.

An understanding of psychographics has become the prime factor in today's targeted marketing. One typical recent study showed that in similar demographic areas in California and New York, sales of swimming pools, cook-out and garden products were twice as high in California. In the mid-70s, a top Sears executive stated that his company "makes a scientific examination of the consumer along psychographic lines and, from these, charts psychological traits and likely consumer behavior." These changing wants and needs of the consumer are then coordinated with product development and a marketing program. Edward Donnell, Chairman of the Board of Montgomery Ward, has underscored the new and changing marketplace when he remarked on "consumers' changing needs, wants and lifestyles from a post-Civil War agrarian society to today's fast-paced urbanized mobile jet age."

T. Proliferation of Markets — 1940s - 1970s

The steady proliferation of markets during the three decades that followed World War II was paralleled by the enhanced ability of the computer to zero in on particular groups of consumers who were seeking products that met their specific expectations and interests. This accounts for the enormous growth in the variety and quantity of specialized catalogs (as well as, for that matter, special interest magazines and the emerging "narrowcasting"). Even during the inflationary and uncertain economy of 1979-1980, many well-managed specialty catalogs were expanding over virtually the whole gamut of products and services (except for some low-end products), while the rate of growth of Sears, Ward, and Penney had slowed down.

From Horchow's exquisite gifts, housewares and fashions and Lillian Vernon's personalized home items and accessories (some as low as $5 and $10), to Eddie Bauer's outdoor sportswear and equipment and Yield House's Colonial pine furniture, to the phenomenal growth of Garden Way's sales of garden equipment and supplies, literally thousands of specific and segmented consumer markets were responding to mail order appeals. New companies were entering the mail order field and the range of products in style, price and country of origin was growing. For a lover of African voilets or Swiss music boxes, a large-sized man or woman seeking proper apparel, a devotee of collectibles or gourmet food, for the inlaid Serbian chess sets and Portuguese Madeira—all were easily available via mail order. So were medium and high priced items from the Metropolitan Museum of Art and from Lincoln Center, from Bloomingdale's Chinese collection to DeLorean gold-plated automobiles at $85,000 each from American Express, to Neiman-Marcus' His and Her gifts and Sakowitz Ultimate gifts. In a short period Franklin Mint's deluxe edition of "The World's 100 Greatest Books" had over $100,000,000 in front-end sales by direct mail. By the end of the '70s, a wide variety of miniaturized electronic and space age and new technology items and accessories were available via

arm chair shopping. In March 1976, *Apartment Life* Magazine displayed in a special section how an entire apartment of 100 pieces of furniture, furnishings, housewares and appliances could be supplied entirely via mail order.

U. Dreams That Money Can Buy

Undoubtedly, catalogs contain the dreams that money can buy, treasuries of hopes and wishes. Mail order buyers run the entire gamut of the population, including farmers, small town and urban folk, blue collar and white collar workers, professional and middle class men and women, young people and senior citizens, as well as small, medium and big business. Mail order buyers comprise a roster of America's Who's Who in every field of endeavor. This includes, for example, Burt Reynolds, the self-styled "catalog buff of the world," Liza Minelli and Natalie Cole, Robert Redford and the late John Wayne, the Kennedys, the Rockefellers and the late Hubert Humphrey, Nancy Reagan and Princess Grace, Malcolm Forbes, Gloria Steinem and Julia Child.

In an energy scarce society, when time and convenience are of the essence, it is inevitable that catalog shopping has become more popular and widespread—and for mail order companies, more profitable. That is why 50 of the Fortune 500 are now engaged in direct marketing. This is taking place in a number of ways. Some large corporations are launching their own subsidiaries; e.g., American Express, Johnson & Johnson, Time, Xerox, etc. Others are in direct marketing by acquisition; e.g., American Can/Fingerhut, General Mills/Eddie Bauer, MCA/Spencer Gifts, etc. At the same time, small and large entrepreneurship continues successfully without abatement; e.g., L.L. Bean, Lillian Vernon, Roger Horchow and thousands of others.

V. A Caveat

At this point in our direct marketing odyssey, a caveat is in order. While the prospects for the growth of direct marketing are auspicious, there are dangers that lie ahead. One immediate threat comes from those companies in direct marketing who perpetrate fraud and deception or engage in advertising that is misleading or filled with hyperbole. There are countless fly-by-night post office mail order schemes. They promote phony, get-rich-quick programs, so-called health cures, work-at-home plans and the like. Many of these schemes prey on the elderly. The *New York Times* (January 17, 1981) estimated there were 10,000 so-called "mail order pastors." The Better Business Bureau reported that in 1980 it received 1,500,000 complaints for non-delivery, delayed or damaged delivery of mail order products ordered in the United States. This was 20.5% of all complaints received, putting mail order way out in front of this dubious category. These activities and many others, as well as certain recent bankruptcies of a questionable nature, cast a wide pall of distrust among consumers. This can only harm the entire direct marketing industry and invite discriminatory legislation and regulation. We direct marketers can do no better than to live by the definition in the 14th edition of the Encyclopaedia Britannica (1956): "Advertising is the process of disseminating information for commercial purposes," and to abide by DMA's Code of Ethical Business Practices.

W. Business-to-Business Direct Response

Business-to-business direct mail and mail order continue to expand as the cost of energy and sales calls escalate. A vast array of equipment, machines, parts and accessories are distributed directly via catalogs and other means without the intervention of intermediaries. The largest specialized mail order segments are general office supplies and equipment, trade publication subscriptions and professional subscription products. Direct mail continues to play a major role in business-to-business sales, in augmenting the sales force, reducing the cost of selling, pre-selling before the sales call, controlling sales and distribution, providing qualified leads, identifying prime prospects and testing products and markets.

X. Other Markets

The 1970s witnessed a wide and increasing use of direct response marketing by companies in the insurance, financial and credit card services. A significant development in this regard is the rise and growth of Signature Financial/Marketing Agency, the wholly owned subsidiary of Montgomery Ward. Signature serves as Ward's direct response marketing arm and uses the most sophisticated computer techniques to segment Ward's 18 million charge customer list. In 1980; i.e., in a little more than ten years, Signature had built its annual sales to about $200 million in such service areas as Montgomery Ward Auto Club, with 1,300,000 members; Ward Credit Insurance programs and credit cards, security service, the publication of three new special

interest magazines and other direct marketing programs.

Dick Cremer, President of Signature, was in the vanguard in the field of Multivariate Linear Regression Analysis utilizing Ward's credit customers for analysis, testing and segmentation. Signature sent out about 55 million pieces of mail in 1981. It has developed innovative programs, fine products and services, employing a keen understanding of the changing attitudes, wants and interests of the consumer.

One other factor which should not be neglected in a history of direct marketing involves millions of Americans. Dr. Hazel Henderson, a well known economist and futurist, conceives of the growth of direct marketing as a viable option in our era of energy conservation. She sees evolving an information network of communications and organizations among consumers throughout the country who are non-conformist and who are concerned with the quality of life and self-fulfillment. It should be noted that there are an estimated 37 million people active in voluntary organizations in the United States as well as millions of consumers in cooperative organizations. Over 15 million Americans are engaged in do-it-yourself, self-help and self-improvement activities. The do-it-yourself market is estimated at $30 billion for 1981 and expected to reach over $100 billion by 1990. The remarkable growth of Rodale, Garden Way and similar direct marketing companies reflects these new life styles. The Whole Earth Catalog published in the mid 1970s sold 1.6 million copies in five years. Direct mail continues to be an invaluable tool for most of the 300,000 non-profit organizations in the nation and in a wide spectrum of philanthropic efforts in health and welfare, in education and religion, as well as community activities, politics and elections.

There are about 26.5 million blacks and 14.5 million Hispanics in the United States. This is a huge and untapped market, which *Advertising Age* estimates at about $200 billion annually. Facts are stubborn things, and it is a stark fact that direct marketers have virtually ignored this massive market in spite of the enormous potential for profitable activity. But developments at the beginning of the '80s make it clear that a change is underway. There is every reason to believe that this decade will witness major progress as direct marketers make new studies, do research, test and develop more targeted techniques in their activity in the virtually untapped enormous market among blacks and other minorities.

Y. A Multiplicity of Media

The currently increasing use of a multiplicity of media requires that each individual medium be refined for more effective targeted marketing. Equally important, if not more so, is the significance of media's interrelationship and interdependence as a means of achieving a synergistic effect. Nowhere is this more visible than the rapid development in the mid-70s of support response advertising such as TV support for direct mail and print, and the increasing trend of telephone support for direct mail. The introduction of the 800 WATS lines has been a crucial factor in enlarging the scope and effectiveness of direct response particularly in TV as well as in direct mail and print advertising.

The invention of the printing press in the 15th century hastened the demise of feudalism and monarchical societies and helped to usher in new industrial, market and political systems in Europe and America. In a similar vein, in less than 30 years, television has altered American society, be it the marketplace or the Presidential elections. Can less be expected from the proliferating and accelerating data processing, teleprinting, telecommunications and telemarketing revolution?

Z. New Markets and New Media

The expanding Information Age focuses on the business of information handling, namely the knowledge business. The transistor invented over 30 years ago opened the way to the conveyance of communication and computer technology. This is the essence of the Information Age; i.e., the synergistic integration of data processing and communications.

In today's expanding Information Society, the mass media industries are gearing up for new technological challenges in the production and publication of books, magazines, newspapers, records, films, videotape and videodisc, and in radio, TV broadcasting and "narrowcasting." The electronic, transistor and computer technology has brought us pocket calculators, video games, citizen band radios and video cassette records, automated telephone services, and pay cable TV. At the end of 1981 there were 21-million CATV subscribers and it is estimated by 1990, half of United States households, or more than $40 million, will be on cable TV. The next few years will witness the emergence and further growth of interactive cable, subscription TV, personal and

home computers, viewdata and teletext and direct satellite broadcasting. The marketplace will be transformed. So, too, will direct response media, with "new" media appearing, and both new and traditional media being used singly and increasingly in tandem, as interactive and interdependent direct response media move forward. Telemarketing is truly a marriage of telecommunications technology and direct marketing techniques. In its immediacy, picturization, specificity and convenience, the new technology is direct marketing-biased.

Two articles in the *Harvard Business Review* (July-August 1980) draw the implications for the future of management and marketing. The article "Retailing Without Stores" concludes (p. 112): "We see a virtual certainty that the era of widespread telecommunication shopping is approaching. We predict that this era will witness significant alterations in the concept of retailing and the nature of retail competition. The challenge to management is to grasp the dimension of the coming telecommunications revolution." One prediction is that 20% of all retail sales will be over videotex systems by 1990. By that year, estimates of households with videotex terminals range from 7% to 25%. It is a harbinger of things to come when one witnesses the entry into and exploration of "electronic mail order" by Sears, Penneys, Federated Department Stores, Neiman-Marcus, I. Magnin, and Fingerhut, to name a few.

The other article in the *Harvard Business Review*, "Managing Our Way to Economic Decline," after a critique of the limitations of the short-term approach of the product management system and the marketing concept concludes (p. 77): "The key to long-term success—even survival—in business is what it has always been: to invest, to innovate, to lead, to create value where none existed before. Such determination and striving to excel requires leaders—not just controllers, market analysts and portfolio managers."

The history of direct marketing amply confirms that this kind of leadership and professionalism is the rock bottom basis for success and long-term profitability. From Aaron Montgomery Ward, Richard Sears and Julius Rosenwald to L.L. Bean, and Harry Sherman of Book-of-the-Month Club, and from Robert Rodale, Lyman Wood of Garden Way to Lillian Katz of Lillian Vernon and Richard Cremer of Signature—entrepreneurs and leaders have been and are men and women of foresight, courage and integrity. They are people with an understanding of and respect for the consumer and a sense of social responsibility. This is the way to meet the great challenges and opportunities that we face in the 1980s.

Definition of Direct Marketing

In gathering information about any subject, including direct marketing, it is logical to start by defining the subject. So it has been our practice to include a "definition" of direct marketing at the beginning of each annual edition of the DMA Fact Book. Yet, each year we find that the "accepted definition" has changed somewhat as direct marketing evolves and as our perception and understanding of the subject deepens.

In 1981, an Association Task Force, appointed by Lester B. ("Dusty") Loo, who was then Chairman of the Board, sought to reach agreement on a definition that would be satisfactory and workable for all of the disparate parts of the direct marketing field. It proved to be a question that was not only difficult but that could not be completely resolved by the Task Force.

Perhaps the most significant comment at that time came from a Task Force member who observed: "Direct Marketing is a changing thing and will continue to change. Therefore, the definition will continue to change."

That is a most perceptive thought and one that coincides with the decision in November 1982, recommended by the Board and approved by member vote, to delete a definition from the Association's Constitution & By-Laws. Instead, to provide a frame of reference for researchers, educators, journalists and practitioners, an "official" definition, subject to review and change if necessary, will be carried in the annual Fact Book or other appropriate publication.

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At this time, the generally agreed upon definition is: Direct Marketing is an interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location.

1

The Scope of Direct Marketing

by

Craig Campbell

Stone & Adler, Inc.

A Division of Young & Rubicam, U.S.A.

Total Estimated Direct Advertising Expenditures

1981

	(In millions $)
Coupons	94.6
Direct Mail (postage, paper & production)	10,566.7
Magazines (mail order merchandise only)	150.0
Business Magazines (industrial products only)	59.0
Newspapers	73.0
Newspaper Preprints	2,288.5
Telephone	11,467.0
Television	295.0
Radio	29.0
Grand Total	$25,022.8

NOTE: Creative costs not included in any of the above figures.

DMA estimates that in 1981 (the base year for all figures in this book unless otherwise noted) total goods and services purchased in the United States as a result of direct marketing amounted to $125 billion, based on a conservative estimate of approximately 1/5th of direct marketing costs as a percent of gross sales.

A. Introduction—A Broad Perspective

To put the scope of the direct marketing industry in perspective, one must take a view which is more encompassing than that of a natural extension of the 19th century mail order catalogs of Sears, Roebuck & Co. and Montgomery Ward. The industry, as we know it today, is a rapidly evolving, very modern mechanism for the efficient distribution of goods and services meeting a changing consumer demand for more convenient buying alternatives. More simply put, direct marketing is a part of the tradition of change that includes traveling peddlers, open markets, specialization of production, the advent of currency, the use of credit, small neighborhood shops and giant department stores.

From the moment in history that marks the end of self-sufficient, insular groups and the introduction of trade, marketing systems have always changed to meet the needs of dynamic social organizations which themselves change constantly. Although Sears and Wards have the most widely known mail order traditions in America, the prolific growth of our industry is more significantly a response to the immense phenomenon of the changing social condition.

In the 1980 *Fact Book*, we wrote that "mail order" is no longer accurate terminology, although catalog merchandise is still a prolific growth area of the industry. But it is more than that. Direct marketing is a system of transferring goods or services from the seller to the consumer by direct connection, bypassing traditional avenues such as retail outlets and other intervening layers.

Of course, the full scope of direct marketing includes numerous hybrid systems wherein direct response techniques are employed for their advantages of simplicity, measurability, and efficiency. Furthermore, direct response creative devices that motivate immediate and visible consumer response activity are frequently mixed with other promotional efforts to stimulate sales, do-

nations and other measurable response. The diversity and flexibility of direct marketing applications is a significant factor in the growth of the industry, and, today, direct marketing is a familiar element in the "marketing mix" in virtually every major manufacturing and service category.

B. The Marketing Mix

We typically interchange the words direct marketing with direct response advertising because, of any of the disciplines in the marketing mix, our efforts most closely resemble the advertising element. But, functionally, direct marketing is or can be a part of each facet of the marketing mix.

The following diagram is a fairly simple view of the basic elements of marketing.

Traditionally, advertising (*promotion*) is considered the dissemination of product information and reasons to buy to the consuming public, and, without question, direct marketing does that—but it is or can be much more.

Establishing the *price* of a product, to recoup all manufacturing, distribution and selling costs plus profit, can be affected dramatically by the direct marketing discipline. First, the direct distribution will almost certainly change the cost of distribution. Further, the direct marketing customer will respond differently to the same price at retail stores, so the most profitable price point is commonly discovered by testing. When flexibility exists, the effect of price on the success of the effort is an integral element of the direct marketing discipline.

The *place* in direct marketing, our version of the retail outlet, is actually the media format. The "store" for catalog merchandise, for example, is the book itself.

The effect of direct marketing on the *product* is also considerable because, by nature of the new distribution channel, products sold direct have the added value of service. Goods then are sold not simply on the merits of product benefits but on the perceived benefits of the *entire* transaction.

C. Mass Advertising and Direct Marketing Compared

There is, therefore, a distinction to be made between direct marketing or direct response advertising and other advertising forms—even as advertising supplies many of the tools and techniques used to establish the direct marketing transaction. As our industry evolves and grows, as media change, and as new communication channels develop that advertisers and direct marketers share, we believe that direct marketing will have an even greater role in most advertising

Direct Marketing	General Advertising and Marketing
• Selling to Individuals Customers are identifiable by name, address and purchase behavior.	• Mass Selling Buyers identified as broad groups sharing common demographic and psychographic characteristics.
• Products have added value of service. Distribution is important product benefit.	• Product benefits do not typically include distribution channel.
• The medium is the marketplace.	• Retail outlet is marketplace.
• Marketing controls product until delivery.	• Marketer may lose control as product enters distribution channel.
• Advertising used to motivate immediate order/inquiry.	• Advertising used for cumulative effect over time of building image, awareness, loyalty, benefit recall. Purchase action deferred.
• Repetition used within ad.	• Repetition used over time.
• Consumers feel high perceived risk—product bought unseen, recourse is distant.	• Consumers feel less risk—have direct contact with the product and direct recourse.

efforts. Joel Tucciarone of New York has developed an interesting chart comparing the two disciplines. It is presented here with the suggestions that the distinctions have begun to break down, and the point at which one discipline becomes the other is increasingly less identifiable.

Having established the relationship of direct marketing to advertising, it is important to emphasize the key objective of virtually every direct marketing effort: immediate, measurable sales or inquiries. Like other disciplines of commercial communication, direct marketing media and techniques are also used to inform, build awareness and introduce new products. But, in most cases, these objectives are secondary to the goal of profitable sales. **Our estimate for total 1981 sales is $125 billion with a total direct advertising expenditure of $25 billion, an increase of 11% in just one year.**

As mentioned above, the use of direct marketing has grown in virtually every category of goods and services. To form more manageable groups we have divided the industry into four major groups: consumer marketing, business-to-business, fund-raising and government services. Following is a closer look at each group with a description of the direct marketing role in the total effort.

D. Consumer Goods and Services

The application of direct response advertising to the consumer market is virtually limitless. And while media change and new techniques are developed, the continued growth of the industry is certain. One group of large retailers, in fact, has predicted that, by 1990, half of all goods will be sold by direct marketing. In the food and package goods categories, the direct marketing technique of couponing has undergone prolific growth. In 1981, Nielsen estimates that over 102 billion coupons were circulated. Virtually every major department store is publishing catalogs with increased frequency. The growth of book and record clubs in all media continues. Newer marketers of other home entertainment products such as video tapes and disks are entering the direct marketing area in a steady stream. Insurance, home products, magazine subscriptions, service club membership, craft products, educational products and clothing are just a partial list of our growing consumer direct response categories. And the list will continue to grow as consumers change shopping habits as the effects of increased energy costs and the desire for convenience keep people out of cars and in the home.

Leading Industries Using Direct Marketing

- Periodical Publishers
- Food Stores and Distributors
- Mail Order Houses (Catalog Mailers)
- Department Stores
- Book and Record Publishers (Includes Book/Record Clubs)
- Automotive Manufacturers
- Drug Manufacturers
- Book and Stationery Stores
- Newspaper Publishers
- Home Furnishing Stores
- Insurance Companies
- Credit Card Companies
- Financial Institutions

Impact of New Media

Historically, when new media vehicles became available, mass advertisers have been reluctant to employ them until the new medium was in use by 30% of the population.

Young & Rubicam predicts that by the third quarter of 1981, 30% of United States television households will be cable subscribers. Significantly, in virtually every new cable installation, two-way or interactive capability enabling electronic communication between broadcast source and the home is a franchise requirement. These factors and the rapid development of other new technologies will soon result in an absolute explosion of electronic direct marketing.

Current broadcast advertising markets are defined by the signal area of the transmitters. Usually, they are centered to much smaller communities, even subdivisions. In all, cable television offers geographic efficiencies heretofore reserved for direct mail and localized print media.

Perhaps more important to direct marketing is the impact of cable technology on programming as we enter the area of video publishing. Because of the consumer ability to selectively subscribe and because of the large number of channel and program alternatives, it is now possible to program profitably for more narrow and focused interests. Magazines can truly be delivered electronically, offering direct marketers extremely well-targeted audiences.

Already there are home shopping shows on

Advertising Expenditures for Direct Marketing Advertisers — 1981

	(In millions $)
New Process Company	54.4
Fingerhut Corp.	50.0
Colonial Penn Group	41.0
Lakeland Nurseries	33.0
American Management Assns.	30.0
Columbia House/Div. of CBS	25.0
Signature/Financial	18.6
Newsweek	17.8
Allstate Insurance Co.	14.0
L.L. Bean	14.0
Hanover House Industries	13.2
Current, Inc.	12.6
Lillian Vernon Corp.	12.0
Shopsmith, Inc.	11.7
StarCrest of California	11.0
Herrschners	10.5
Eddie Bauer, Inc.	10.0
LeeWards	10.0
Calhoun's Collectors Society	10.0
Frederick's of Hollywood	5.5
Exxon Travel Club	5.0
Gulf Consumer Services	5.0
Rodale Press, Inc.	4.4
AT&T Long Lines	4.2
The Conde Nast Publishing Co.	4.2
Bass Anglers Sportsman Society	4.2
Care Inc.	3.8
Day-Timers, Inc.	3.5
Aparacor	3.5
Cabela's	2.1
Recreational Equipment, Inc.	2.0
Frostline Kits	1.3
Cosmetique Beauty Club	1.3
Frank Lewis Fruit Company	0.8
American Handicraft	0.5
Texaco	0.2
Berman Leathercraft	0.1
Bide-A-Wee	0.04
Bell & Howell Company	0.03

Developed for DMA by HAI-Industry Statistics
Note: This list represents those companies who responded to our request for data.

air. Catalogs converted to text and photographic images are "turning pages" on screen, and very attractive buying opportunities are being presented to marketers. Soon, all advertising will assume some of the character of the direct response discipline. It is a revolution.

E. Business-To-Business Marketing

The business uses of direct marketing fall into several categories. The most common are sales lead generation, direct sales and sales support which can include trade show attendance, literature distribution, new product introduction, and pre-call conditioning. In all of these categories, direct mail is considered the primary medium.

Most business-to-business marketers enjoy the advantage of prospect markets which are easily defined targets based on industry classification, size or sales volume. Because they are so identifiable, direct mail enjoys considerable advantages in efficiency over other media.

There is little media waste when, for example, a manufacturer offers a product specifically designed for the packaging of dry foods. For obvious reasons, other media must necessarily spill into numerous non-dry food packager audiences. Direct mail and appropriate vertical trade publications can be directed very accurately to the decision making prospect.

In nearly all industries marketing to business, there is a dedicated sales force or network of representatives responsible for all sales. For those forces, direct marketing—especially mail—provide the opportunity to minimize wasted sales efforts by calling on those who have expressed measurable interest. With the cost of an industrial sales call estimated in 1982 at more than $200, the cost advantage of leads developed by mail can be dramatic. The sale of most capital goods implies a series of contacts with the prospect over a period of time. Reducing the cost of the initial contact yields not only greater profits but greatly increased productivity.

The types of business that increasingly use direct marketing to reduce sales costs and improve sales force productivity are manufacturers of "high-ticket" office equipment, industrial equipment, building products, medical equipment, many types of wholesale finished goods and components used in other manufactured products.

There is also wide use of direct marketing for goods which are purchased direct without the intervention of sales force. Typical are commercial products such as paper and stationery, business publications and less expensive office machinery and supplies. There has been continuous growth in all areas of business-to-business direct marketing and continued growth is predicted.

Representative Types of Products Sold

- Automobile Parts and Accessories
- Dealerships/Distributorships
- *Display Advertising*
- Filing Equipment and Supplies
- Group Insurance

- Hospital Equipment and Supplies
- Industrial Supplies
- Land/Buildings
- Machinery-Equipment
- Maintenance Products such as Tools, Paints, Hardware
- Office Furniture
- Office Machines and Supplies
- Pharmaceutical Products
- Printed Products such as Forms, Stationary
- Raw Chemicals
- Restaurant Equipment and Supplies
- Securities
- Uniforms
- Vending Machines and Supplies
- Wholesale Products for all Types of Manufacturing

The estimated total direct marketing expenditure in the business-to-business categories is $2.32 billion in 1981 with total sales estimated at $23.24 billion.

Estimated Business/Industrial Direct Response Marketing Statistics (in billions)

	1976	1977	1978	1979	1980	1981
Estimated advertising expenditure	$ 1.1*	$ 1.45*	$ 1.60*	$ 1.95*	$ 2.19*	$ 2.32*
Estimated sales	11.25	14.85	16.06	19.53	21.99	23.24

*Part of the Direct Mail Advertising Expenditure Figure.

See Chapter 2 for further discussion of Business-to-Business Direct Marketing.

F. Fund Raising

A significant but smaller category of direct marketing is the fund raising industry. Currently, there are approximately 280,000 holders of non-profit mailing permits, a fairly accurate measure of the scope of the industry.

In 1981, the American Association of Fund Raising Counsel, Inc., compilers and publishers of the fund raising statistics, recorded total charitable donations of $53.62 billion. Historically, funds raised which are attributable to mail have constituted about 25% of the total. The mail related category, though, is very broad with only about one-quarter being direct solicitation. Other means of fund raising are included in the direct mail category besides the simple appeal for contributions. These include tickets by mail for performing arts groups, political donating, special trade union appeals, subscriptions sold as membership services, membership dues in non-profit organizations, and dues for fraternal organizations. The A.A.F.R.C. estimates that 60% of funds raised are from those renewable sources such as membership and subscription, and 40% is from new donor solicitations.

Just as business and consumer direct marketing is a common tool for very small businesses as well as large, there is considerable activity by small, local organizations such as clubs and religious organizations. In all, religious giving is by far the largest category in fund raising, followed by hospitals and other health services, educational institutions, social welfare groups, the performing and visual arts and humanities organizations, local civic and other public groups and several other small categories.

Just as the size of non-profit organizations varies, so does the sophistication of the direct marketing fund raising techniques. For many smaller organizations, fund raising by mail can be as simple as one-time requests to members to support a new building program or a summer camp. This is contrasted to the largest fund raisers who use very sophisticated list management and analytical techniques based on a predictable donor life cycle. The most sophisticated direct marketing fund raisers know how many will donate from a given list, how long they will donate and what the affordable acquisition cost is by source.

Estimated Direct Mail Charitable Contributions

	1981 ($MMs)
Religion	$ 6.21
Education	1.87
Health & Hospitals	1.84
Social Welfare	1.33
Arts & Humanities	0.84
Civic & Public	0.39
Other	0.93
Total	$13.41

Source: American Association of Fund Raising Counsel, Inc.

G. Direct Marketing by Government Agencies

For the first time, we are including the use of direct marketing by federal, state and local government agencies as a category in the Fact Book. When one considers the volume of mail from our local and national representatives, and the use of public service announcements in broadcast and print offering information or soliciting opinion, it is impossible to ignore. It is equally impossible to measure.

Much of the mailing by our national representatives allowed by their postal franking privileges and because other media offer public service air time and space at no cost, the expenditures are not particularly meaningful in comparison to other categories. Political fund raising is, of course, excluded.

Perhaps the most visible of all government direct response advertising is that conducted by the Office of Consumer Information, which offers paid and free publications from the Government Printing Office in Pueblo, CO. According to Timothy Burr, of the Government Information Office, the public service campaign in all media (radio, television, print) had a total budget in FY 1980 of $186,000. Although the translation to gross impressions is not possible, Mr. Burr informed us of a total response exceeding 690,000 requests for one or more publications.

That campaign is typical of the government use of direct marketing in several media. Other agencies such as Health and Human Services conduct similar campaigns against smoking, housing discrimination and other areas of public service. Direct mail is, of course, the most common medium of communication from our elected representatives both national and local.

H. Conclusion

For many years, direct marketers have predicted that our disciplines would be a part of every marketing effort, that the industry would continue to expand and that new technologies would lead to explosive growth.

The future is here. Although economic conditions have placed heavy burdens on traditional methods, new techniques to apply and new applications of old techniques appear regularly. Most of all, the changing world with its new consumer is demanding and responding to our efforts. As our industry continues to evolve, continues to meet changing needs, the future of direct marketing is one of more growth, more excitement and new opportunities.

Direct Marketing Full-Service Agencies
Based on Estimated U.S. Gross Billings — 1982

Agency	Billings (in millions)
Wunderman, Ricotta & Kline, Inc.*	111.2
Ogilvy & Mather Direct Response	65.0
Stone & Adler, Inc.*	54.4
Rapp & Collins, Inc.	36.7
Direct Marketing Agency	36.6
Smith/Hemmings/Gosden	26.9
Soskin/Thompson Associates	25.7
Kobs & Brady Advertising, Inc.	24.0
Compton Direct Marketing	23.5
TLK Direct Marketing**	22.0
The Frank Vos Company	21.8
N.W. Ayer	21.0
Chapman Direct Marketing*	20.4
MARCOA Direct Advertising	20.0
The DR Group, Inc.	20.0
Barry Blau & Partners, Inc.	18.2
BBDO Direct	16.0
Grey Direct	15.8
B&B Direct, Inc.	14.7
Ketchum Direct	12.0
Throckmorton Associates	3.8
Foote, Cone & Belding	2.7

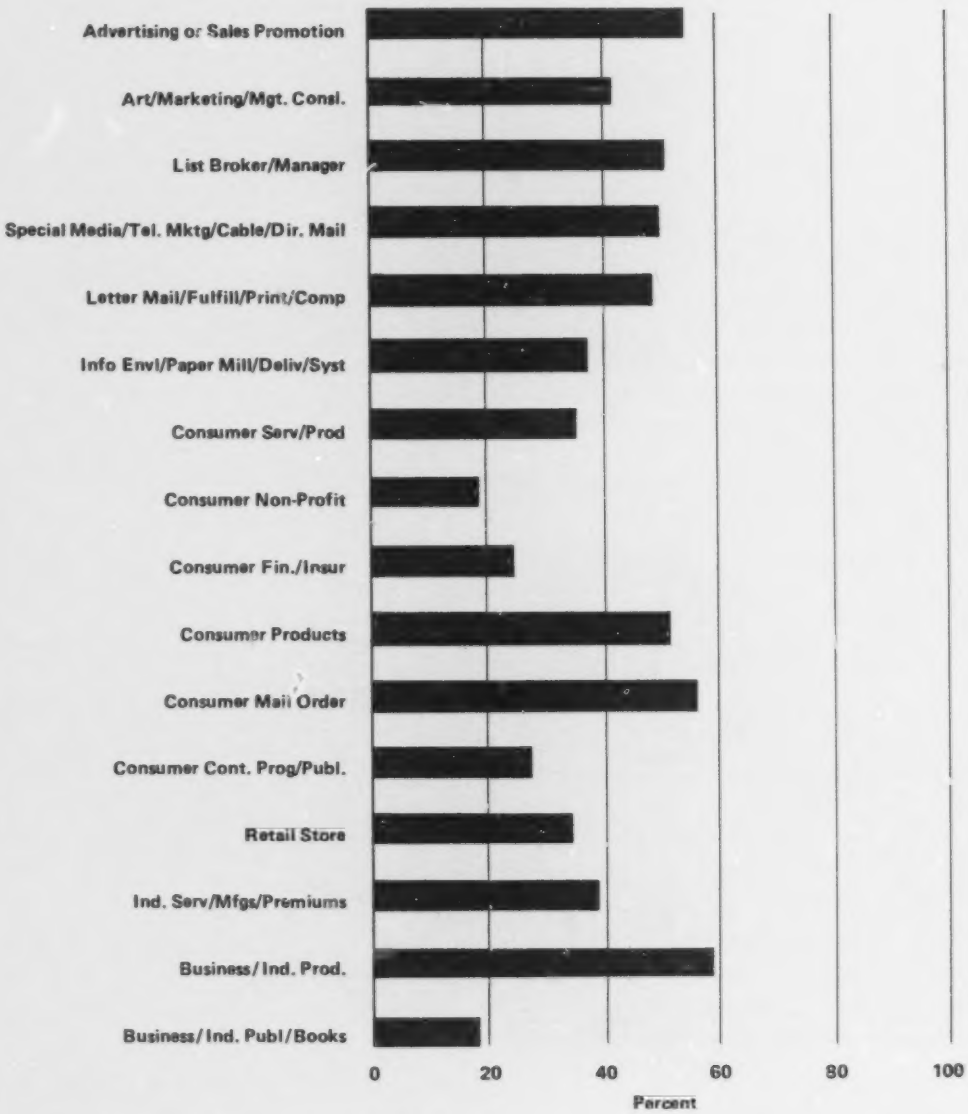
*Subsidiary of Young & Rubicam, Inc.
**Includes J.W. Prendergast

Source: DMA Research Department

Note: This list represents only those agencies who responded to a DMA request, in late 1982, for an estimate of their full-year 1982 billings. All figures were supplied by the individual agencies who were asked to include only space and broadcast billings, billings for materials and services provided by organizations outside the agency, and capitalized agency fees.

SALES INCREASE – ONE YEAR

Companies expecting a 15% or more increase in sales (discounting inflation) resulting from direct marketing practices for the next year.*



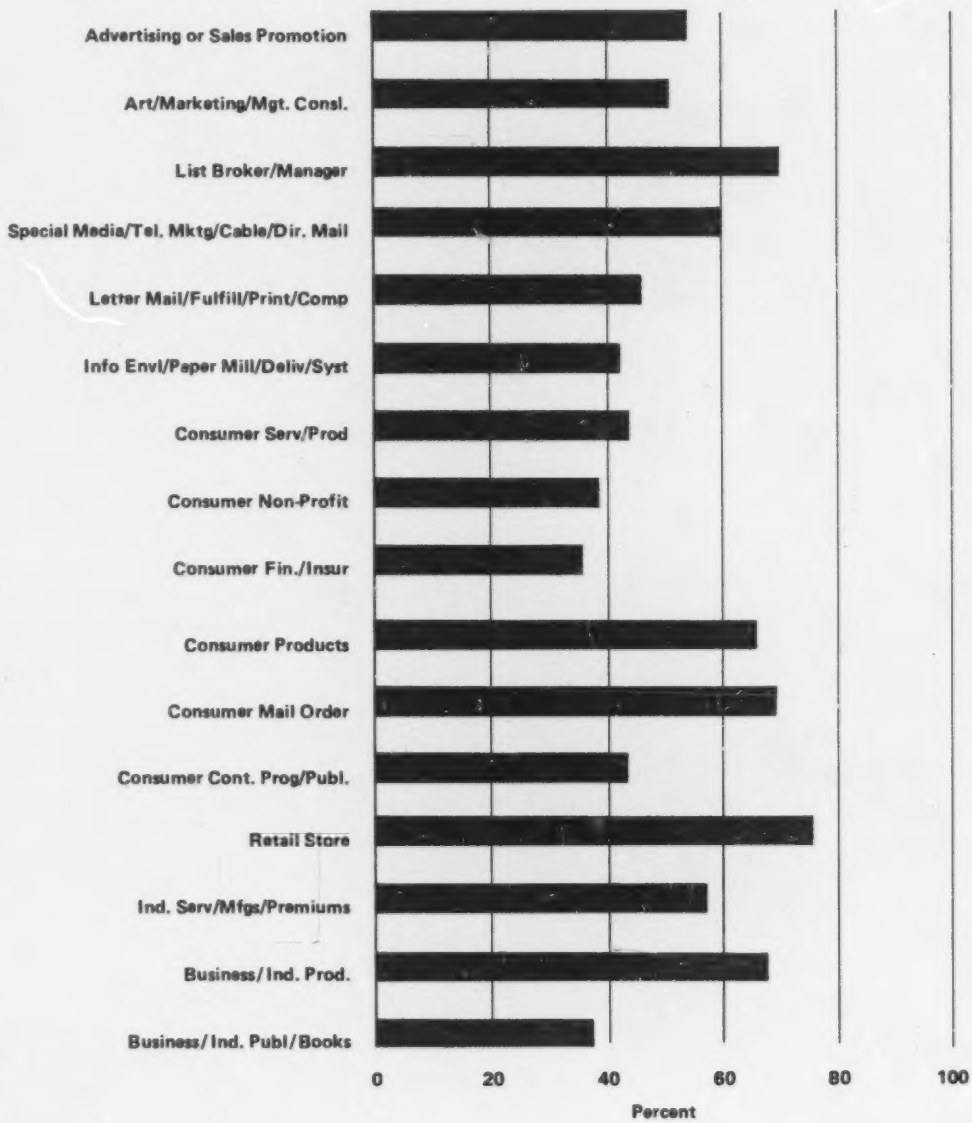
*Proportionate to the number of companies within that industry.

SOURCE: MAP Survey, DMA, 1982

(Base = 673 Voting Members)

SALES INCREASE – FIVE YEARS

Companies expecting their sales (discounting inflation) to double, triple or more as a result of direct marketing practices for the next five years.



SOURCE: MAP Survey, DMA, 1982

(Base = 673 Voting Members)

2

Business-to-Business Direct Marketing

by

Geane Hanrahan

Dun's Marketing Services, Inc.

A. Introduction

Business/Industrial marketing differs considerably from consumer marketing. First of all, the industrial marketplace is smaller and, therefore, more competitive. There are approximately seven million businesses in the United States compared to over 70 million households.

Second, similar companies cannot be found in neat geographic clusters. You may find a printing company next to a supermarket, and across the street is a Fortune 500 company that manufactures electronic equipment. Consumers, on the other hand, tend to live in groups that reflect their mutual needs—i.e., singles, young families, low income, high income, etc.

Third, the average cost of one industrial sales call is now over $200 (See chart on the following page). The high cost of gasoline coupled with the wide geographic distribution of prospects contributes to this expense. Cold calling, or "door-to-door" selling, is too costly for the industrial marketer. In addition, when selling to industry, an average of 4.3 calls are needed to close a sale—indicating an average cost-to-close of approximately $800!

Fourth, advertising access to executives is limited. On the job, they may read trade magazines and newspapers, but rarely do you find them watching TV or listening to the radio.

And fifth, a sale to a company generally takes longer than a sale to a customer. This is due, in part, to the fact that it is often difficult to find the decision maker within the prospect firm.

In an effort to meet competition, reduce the average cost of a sales call, soften the market place, and speed-up the decision-making process, more and more industrial marketers are jumping on the direct marketing bandwagon.

Business/Industrial direct marketing can be defined as any advertising or sales/sales lead solicitation that is directed toward the business world; i.e., toward individuals representing companies rather than households. It does not include government, charitable, or other non-profit organizations.

In July of 1980, the Institute for Social Research in Michigan, conducted a study of the *non-household* (business-to-business) mail stream. Tabulated results showed that 11% of all 1st class mail and approximately 85% of all 3rd class mail is business-to-business advertising.

B. Uses

The most common use of business/industrial direct marketing is to prequalify prospects. Since cold calls have become too costly, sales managers are steering their sales force toward prospects who have expressed an interest in their product or service by responding to a direct mail piece or an advertisement. It is also used to:

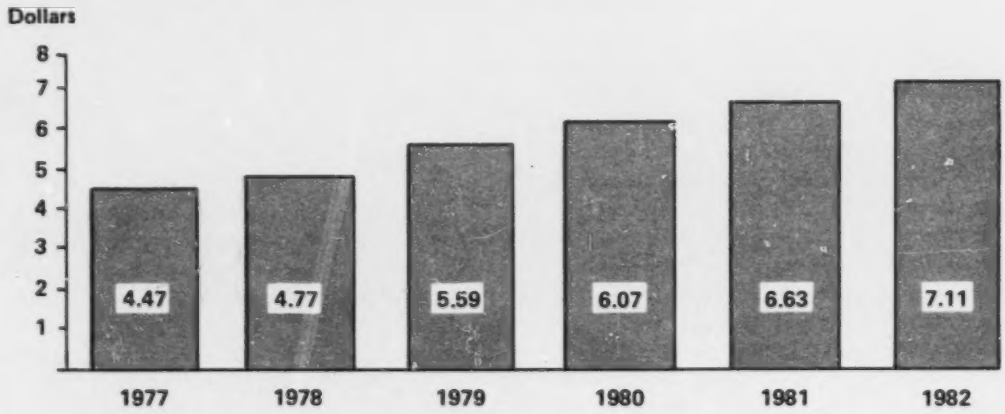
- Test new products
- Test new product applications

Cost of an Industrial Sales Call is now over $200

Source: McGraw-Hill Research

Cost of Average Business Letter

The average cost of a standard business letter moves up to $7.11. This 1982 figure represents a 7.2% increase over 1981's $6.63. Combined salaries of originator and secretary account for well over half of the new figure. Fixed costs, materials, mailing costs and filing account for the rest. The cost for personalized, word processor letters is not included in the figures below.



Source: Dartnell Institute of Business Research

- Achieve direct sales
- Reinforce the sales effort
- Introduce a new sales representative
- Distribute literature
- Create good will
- Build attendance at trade shows
- Market research

C. Estimated Expenditures

It is difficult to determine precise Business/Industrial direct marketing expenditures. One method of estimating is to analyze the historical relationship between the total Direct Mail Advertising Expenditure and that of Industrial Direct Marketing which amounts to about one-fifth of the total dollar volume, or 22%. For 1981 the Direct Mail Advertising Expenditure is estimated at $10,566,746,000. Twenty-two percent of that total equals $2.32 billion.

It is also estimated that, over the years, 10% of the total Business/Industrial sales is invested in direct mail marketing advertising expenditures. Using the estimate of $2.32 billion as the base, the total industrial sales volume resulting from direct mail marketing comes to $23.24 billion. This represents an exceptionally successful advertising-to-income ratio estimate that is unique to Business/Industrial direct mail, due in part to the nature of the high-ticket business product.

D. Understanding the Business-to-Business Advertiser in His Environment Provided by Wunderman, Ricotta & Kline, Inc.

In preparation for the 1982 Direct Marketing Forum of the DMA Business/Industrial Council, the WRK research group contacted senior marketing and advertising executives from Fortune 500 companies. They were all involved in business-to-business selling of products and services. Specific areas of interest were: 1) Lead conversion and cost of sales; 2) Problems reaching customers via independent distributors and company sales forces; 3) Awareness and use of direct response advertising; 4) Perceptions of telemarketing; 5) Use of customer sales records to guide day-by-day selling activities.

Wunderman, Ricotta & Kline has become one of the top specialists in business-to-business direct marketing. And the information gleaned from this research helped them gain more insight into their client's unique problems. The results were tabulated by category. A few highlights of the survey are shown below.

Questions on Sales Force Success, Problems and Costs

The answers to these questions suggest that many senior marketing and advertising execu-

Estimated Business/Industrial Direct Marketing Statistics (in billions)

	1976	1977	1978	1979	1980	1981
Estimated advertising expenditure	$ 1.1*	$ 1.45*	$ 1.60*	$ 1.95*	$ 2.19*	$ 2.32*
Estimated sales	11.25	14.85	16.06	19.53	21.99	23.24

*Part of the Direct Mail Advertising Expenditure Figure.

tives do not have ready access to information on sales force activities.

- Over half (58%) say they do not know the percentage of sales calls to new prospects that result in sales.
- 27% of the executives don't know what their biggest sales management problem is, while another 27% identify their biggest problem as "communicating with our sales force."
- About half (48%) are not able to estimate the average cost of a sales call to one of their customers.

Use of Direct Response Techniques

When asked about *specific* direct response techniques, the executives report using a variety of them.

- Direct mail is the most frequently cited (83%) as a technique they use.
- The next most frequently cited techniques are magazine ads with direct response offers (63%) and telephone selling (54%).

A small number of the executives (5%) say their companies use an agency that specializes in direct response advertising.

Use of Sales Records

While most executives (88%) say their companies maintain "data banks," their use appears limited to planning budgeting and accounting.

- Few executives say anything about using these data banks to guide day-to-day sales efforts and activities targeted toward specific customers and none mention their use in conjunction with direct response methods of selling.

Perceptions of Telemarketing

Telemarketing is not widely understood among the executives as an organized procedure to assist or make sales.

- Most executives (62%) say something about using the telephone, but do not indicate that it is a systematic, planned procedure, even though 28% say they have a "special telephone facility" in-house.
- About half (55%) say their companies use "800" numbers. But usage of the number is reported as being for customer information rather than for specific sales applications.

E. Executive Reactions

Some firms use mail less frequently than they should because top management thinks their business prospects don't *like* to receive mail.

That theory was advanced during a promotion budget meeting for a new product at IBM not long ago. Based on previous proven successes a substantial portion of the budget had been earmarked for mail promotion.

The following question was raised: "Even though mail gets results, if business people don't like to receive it, should IBM be investing so much of its budget in it?"

IBM hired an independent market research firm to determine the answer through a carefully structured random sampling of the prospects for the new product.

They found that mail not only works well; it's the *preferred communication* for business people. They like mail best.

The IBM prospects were asked three key questions about the business mail they received.

IBM Survey Results

1. When asked, "How do you prefer to hear about new office products?"
   - 28% sales calls
   - 7% magazines
   - 4% brochures or folders
   - 60% direct mail
2. When asked, "Is direct mail helpful or annoying to you in conducting your business?"
   - 75% said helpful
   - 21% annoying
   - 4% both

   The annoyed 21% were then asked: "What other medium would you prefer?"
   More than half said, "Send me direct mail anyway," or "I'd prefer to get it than not get it."
3. When asked if they took some kind of action as the result of receiving IBM direct mail, 43% reported taking some positive action (some step forward in the sales process).

Source: Yeck Brothers Company

IBM's survey results simply add more evidence to the observation that there is *no better way* to reach business, industrial and professional executives than through the mail.

F. Effectiveness

The following two studies show that mail can be effective with top executives.

STUDY #1: In 1980, a survey was sponsored by the Business Advertising Research Council of the Advertising Research Foundation (BARC/ARF). This study focused on the *addressees*, i.e., the executives who receive promotional material. A test group of 1500 executives who received a particular mailing was compared to a control group of 500 executives who did *not* receive the mailing. The survey was conducted by phone and generated 416 responses from the test group and 164 from the control group. It was found that the test group reported a higher factor of purchase consideration—20% compared to 13% in the control group.

Recall of the mailing itself registered a factor of 14% on an unaided basis. Of the respondents, 63% correctly identified the company by name. In addition, 16% recalled the mailing after being prompted. That's a total recall factor of 30% from top management direct mail recipients.

Of those who recalled the mailing, 32% claimed to have read or scanned through it. This represents 8% of the total sample. Nearly half (49%) of the respondents who recalled the mailing correctly identified the form the mailing took as a letter and reply form.

Of those who recalled *reading* the mailing, 15% indicated they passed the information along. Other actions taken are indicated below.

	Recalled Reading	Didn't Recall Reading
Base	33	68
Discarded	46%	84%
Nothing at present	27	2
Passed along	15	9
Wrote	3	0
Filed/Held	0	4

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In addition, the respondents who claimed to have read the mailing were asked which three product attributes from a list of six were mentioned in the text. The table below shows that better than 60% correctly identified the noted attributes.

	Recall Reading Mailing
Base	33
Time Saving*	70%
Efficient*	64
Pays for Itself*	61
Space Saving	24
New Technology	24
Cleaner	21

*Actually mentioned in mailing

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The BARC is now considering doing another survey—this time aimed at a middle management group of addressees.

STUDY #2: A few years ago NCR's Market Research Department discovered that bankers were not generally aware of NCR's leadership position as a supplier of Central Information File Systems. NCR turned to direct mail to create this awareness and mailed a short series of informative letters to bankers. After the mail program, the

market research department restudied the situation with strikingly different results. Before and after the program they asked the same five questions. The "after" answers to all questions indicated an increased awareness of Central Information Filing. The answers to two of the questions were especially significant.

	Before Direct Mail Program		After Direct Mail Program
In the past month, have you noticed any advertising for Central Information File Processing?	31%	Yes	65%
In your opinion, which manufacturer is the leader in providing Central Information File Processing?	18%	Burroughs	18%
	51%	IBM	30%
	30%	NCR	52%
	1%	Xerox	0%

The direct mail program increased the banker's awareness of NCR's position from 30% to 52%, clearly proving that informative direct mail can be *effective*.

G. Lists

Basically, business lists can be broken down into three categories:

- Internal lists (or house lists)
- External lists (or compiled lists)
- Respondent lists (or Buyers)

Internal lists include customers, former customers, prospects, inquirers, stockholders, warranty card holders, etc.

A company's customer list is important for two reasons: 1) It can be used as the starting point for market analysis, i.e., Who are my best, most profitable customers? Where are they located? What kind of business are they in? What size are they? A thorough analysis of present customers will help determine your best prospects. And 2) A customer list can be viewed as an additional source of revenue. Many firms rent their customer lists to well-screened buyers.

External lists are compiled in various ways. A primary business list compiler gets information directly from the business establishments. A credit agency is an example of a primary source compiler. A "secondary source" compiler uses the yellow pages, trade association rosters, various directories and other sources to compile a list.

Respondent lists include names of individuals and companies who have used the mail to effect an inquiry or purchase. Another company's customer list is a good example. Trade magazine subscriber lists also fall into this category.

Most business lists are segmented by industry, or line of business. The United States Government's Standard Industrial Classification Code (SIC) is used for this purpose. The SIC is a numerical coding system set up to classify the total economy into different industry segments. Primarily, it categorizes all business activities into broad industrial divisions, then subdivides each into major groups and subgroups. On page is an example of how this system works.

Use of the SIC code enables a list buyer to target in on potential customers. Some things to be considered are:

- Year Business Started
- Sales Volume — Net Worth
- Number of Employees
- Line of Business (Standard Industrial Classification code)
- Credit Rating
- Company Status (i.e., Branch, Headquarter, Single Location)
- Business Trend — Sales or Number of employees on the increase or decrease
- Private/Public
- Minority/Non-Minority Owned
- Sex of Key Decision Makers
- Interest of Key Decision Makers — (Magazine Subscriptions, Club/Trade Association Memberships)
- Direct Mail Respondent

H. Industry Applications

The Business/Industrial Council (BIC), one of eight special interest groups of DMA, is geared to the study of business/industrial direct marketing. In 1979, recognizing a need for more detailed information in this area, Council members launched the first study of industrial direct marketing practices by industry group. Conducted and donated by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, the 1979 study was of the office equipment industry. In 1980, the

second annual study, also conducted by Dun's Marketing, was completed concentrating on the direct marketing practices of the printing industry. And in 1981, the target industry was selected wholesale—firms in the durable goods area.

In an effort to maintain consistency for comparative purposes, a similar questionnaire was used in 1979, 1980 and 1981. All interviews were conducted by the DMS Research Department staff via the telephone. The research universe was identified by company size and Standard Industrial Classification Code. All information was drawn from Dun's Marketing Services' data base of approximately 4.7 million establishments. Following is a brief summary of the industry studies conducted thus far.

Business/Industrial Council Research*

	1979 Office Equipment Manufacturers	1980 Printing Industry	1981 Wholesale-Durable Goods
Total # of respondents	500	1,307	735
Total using Direct Mail	169 (34%)	328 (25%)	300 (41%)
1. How important is direct mail in your marketing efforts?			
Critical or Very Important	25.4%	**55.5%**	44%
Somewhat Important	**69.2%**	34.5%	**45.4%**
Not Important	4.1%	9.1%	9.3%
2. For which of the following do you typically use direct mail?			
Direct Response Sales	68.0%	34.1%	31.0%
Inquire/Lead Solicitations	**89.3%**	37.8%	35.0%
Announcements of New Products	82.2%	**47.6%**	**64.7%**
Price Lists & Changes	40.2%	21.3%	30.7%
Seasonal Promotions	34.9%	24.1%	na
3. Which of the following do you use to generate responses?			
Business reply card	**85.2%**	**62.5%**	**59.3%**
Business reply envelope	23.7%	32.9%	20.7%
Standard Telephone #	3.0%	na	9.3%
Toll-free Number	34.9%	29.6%	37.7%
Coupons	na	na	2.0%
Nothing	na	na	2.3%
4. How frequently do you set objectives when mailing to prospects?			
Always	29.0%	22.9%	16.0%
Most of the Time	18.9%	20.7%	22.7%
Rarely	16.6%	**27.8%**	**30.7%**
Never	**30.2%**	27.7%	30.6%
5. How frequently do you use test mailings to business prospects?			
Always	2.4%	3.7%	2.0%
Most of the Time	11.8%	14.3%	7.7%
Rarely	19.5%	29.6%	26.0%
Never	**62.7%**	**50.9%**	**64.0%**
6. On the average, would you say the response rate to your customer mailing is . . .?			
Under 1%	13.6%	8.8%	4.5%
1-2%	25.4%	20.7%	20.1%
2-3%	11.9%	15.9%	23.9%
Over 4%	**30.5%**	**39.5%**	**44.3%**

	1979 Office Equipment Manufacturers	1980 Printing Industry	1981 Wholesale-Durable Goods
7. On the average, would you say the response rate on your prospect mailing is . . .?			
Under 1%	13.6%	13.1%	8.4%
1-2%	**29.0%**	29.9%	24.3%
3-4%	21.3%	16.5%	27.3%
Over 4%	23.7%	**30.5%**	**32.3%**
8. Approximately what percent of your advertising budget is accounted for by direct mail expenditures?			
None	—	1.5%	5.3%
1-10%	17.2%	12.5%	**24.7%**
11-20	21.9%	6.1%	12.7%
21-30%	**11.8%**	10.1%	9.0%
31-40%	3.0%	3.7%	5.0%
41-50%	1.8%	9.8%	10.7%
51-60%	7.1%	2.1%	2.0%
61-70%	1.8%	3.6%	1.3%
71-80%	1.2%	**12.8%**	7.7%
81-90%	2.4%	7.0%	4.3%
91-100%	1.8%	11.3%	5.0%
9. Do you currently use telephone marketing to generate leads or sales?			
Yes	na	**54.6%**	**57.7%**
No	na	44.8%	41.0%
10. Do you think generating leads by telephone marketing is . . .?			
More effective than direct mail	na	**42.2%**	**41.4%**
Less effective than direct mail	na	12.8%	26.0%
About the same as effective as direct mail	na	40.3%	21.3%
11. Do you measure conversion of leads into actual sales?			
Yes	na	43.3%	27.3%
No	na	**55.8%**	**72.7%**

*Conducted by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation

Following is a size breakdown of the respondents *using direct mail*:

1979/Office Equipment Manufacturers
Size by Sales Volume of respondents using direct mail:

Under $2mm	$2-4.9mm	$5-24.9mm	$25mm+	Total
41	36	54	38	169
24.3%	21.3%	32%	22.5%	

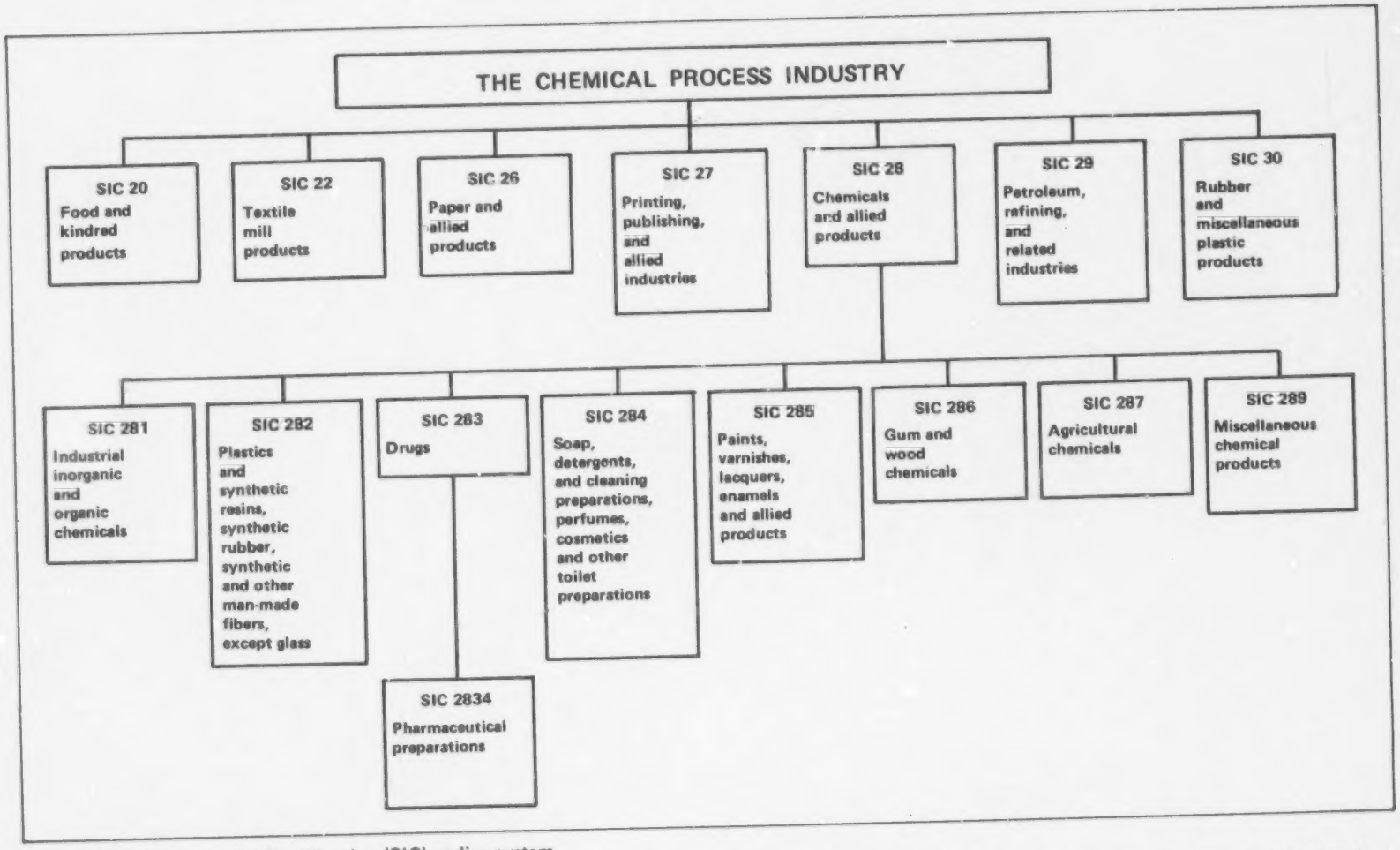
1980/Printing Industry
Size by Sales Volume of respondents using direct mail:

Under $2mm	$2-4.9mm	$5-9.9mm	$10mm	na	Total
128	106	54	34	6	328
39%	32.3%	16.5%	10.4%	1.8%	

1981/Wholesale—Durable Goods
Size by Sales Volume of respondents using direct mail:

Under $1.5mm	$1.5-3.9mm	$4mm+	Total
87	118	95	300
29%	39%	31.7%	

The complete extensive reports of the above studies are available to Business/Industrial Council members only. It is the objective of the Council to continue to build a library of information on direct marketing practices within various industry groups. 1982 Council research focused on the State-of-the-Art of Business-to-Business Direct Marketing in general. The results of this survey will be available to Business/Industrial Council members in November '82 but are not available for publication at this time.



The Standard Industrial Classification (SIC) coding system.
The SIC was developed initially for use within the Government for statistical purposes. It is now used widely as a Key business-to-business marketing tool.

3

Consumer Attitudes and Behavior

Ogilvy & Mather Direct Response Study compiled by Joseph Castelli

In the past decade, direct response has enjoyed explosive growth. Computers have made it vastly easier to pinpoint prospects. In addition, widespread credit made it possible to sell even relatively expensive items. Finally, an increase in affluence and education induced people to demand more.

The opportunities exist for even greater growth in the future. Here are the conditions that we feel are extremely favorable for the growth of direct response:

- More women are working; they have more to spend, but less time to shop.
- The increasing price of gasoline makes it more expensive to drive to the store.
- Parking shortages and traffic congestion make instore shopping less attractive in urban areas.
- Stores give less and less personal service as the cost of personal selling continues to increase with inflation, and becomes less efficient.
- The size and complexity of larger stores, with greater traffic flows and lower inventories, make shopping less pleasant.
- Improved electronic technology provides new ways to present products outside of stores and to order merchandise quickly and easily.

We believe that it is important to understand the consumer in order to capitalize on this enormous potential. Therefore, in November 1978, Ogilvy & Mather Direct Response conducted a consumer survey to determine their attitudes and behavior regarding direct response. The study was conducted via telephone among 1,500 adults across the United States. We learned:

- How many buy through direct response
- What they buy
- Who buys
- How concentrated volume is
- Where the opportunities exist
- What the barriers are to increased growth

Here are some of the highlights of the study.

The first thing we wanted to know was how many people had *ever* bought anything through direct response. (See Chart 1.)

We found that four adults in five had bought something by direct response at one time or another. And nearly two out of three had done so *during the past twelve months.* Now, let's look at how *many* spend how much through direct response. (See Chart 2.)

We found that 35% either never bought anything via direct response or didn't do so during the last twelve months.

Forty-two percent spent *less* than $100 through direct response during the last twelve months, and 23% of all adults spent *more* than $100.

Another way of looking at the lower two sections of that first bar: a third of the people who did buy from us during the year spent *$100 or more.*

Now look at the second bar. Those heavy spenders—the 23% of all adults who spent $100 or more—account for 83% of our total dollar volume.

We're getting 83% of our business from just under a fourth of all adults. That's a vivid reminder of the importance of identifying our best

Chart 1

Ever Bought Through Direct Response:

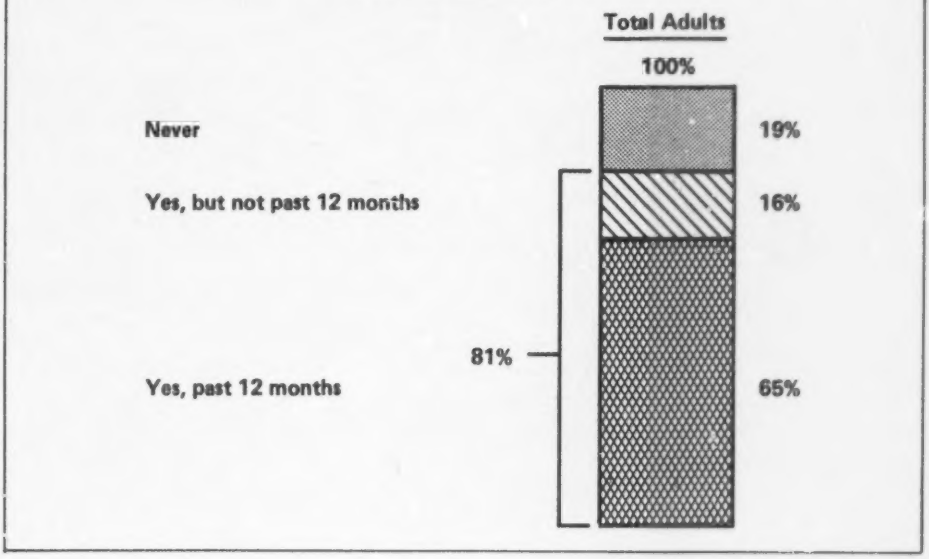
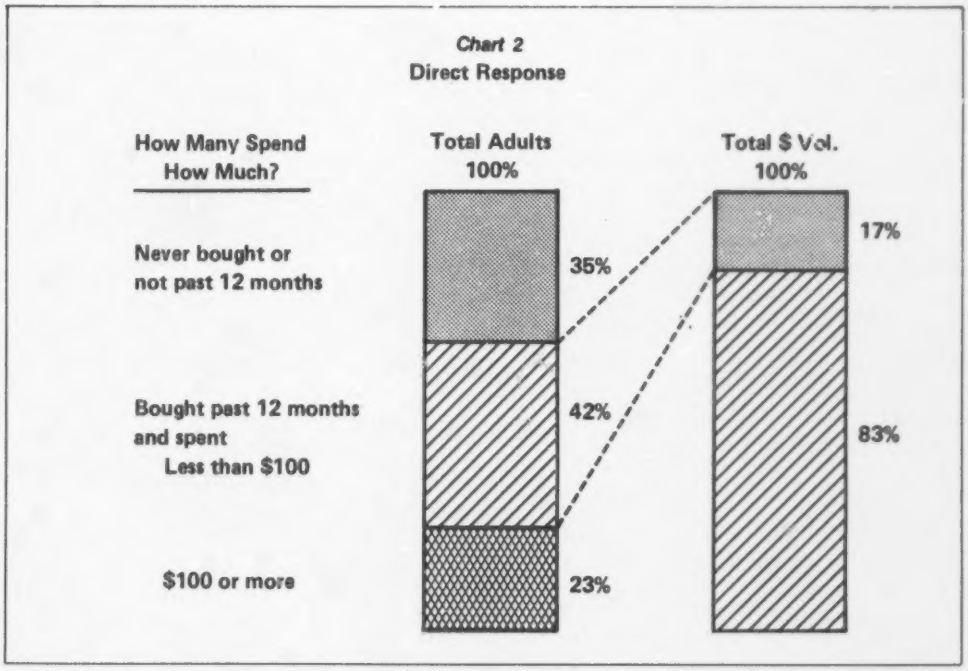


Chart 2

Direct Response



prospects, and zeroing in on them. Our research identified the product categories in which people are most likely to buy via direct response. Here they are in rank order.

% of all adults buying through direct response in last year

Product Category	
1. Magazines	54%
2. Books/book club memberships	33
3. Shoes, clothing	27
4. Records, tapes, cassettes	23
5. Credit cards	22
6. Seeds, plants, garden supplies	20
7. Film, film developing	18
8. Hobby or craft equipment, supplies	14

In each of eight categories, more than 10% of all adults bought something by direct response during the year. It may not come as a surprise that more than half the people buy magazines by direct response, or that a third buy books in this way. But we didn't really expect to find shoes and clothing in third place, bought direct by more than one person in four.

Here are the next fifteen categories, in order of importance.

% of all adults buying through direct response in last year

Product Category	
9. Housewares	10%
10. Foods	10
11. Automotive parts and supplies	10
12. Sewing or needlework supplies	8
13. Cosmetics or toiletries	8
14. Collectors' items (stamps, coins, etc.)	7
15. Hunting, fishing, camping equipment	6
16. Sports equipment and supplies	6
17. Vitamins or health remedies	6
18. Insurance	5
19. Home study program	5
20. Woodworking or metalworking tools and supplies	4
21. Home furnishings	4
22. Physical improvement program	3
23. Hi-fi or stereo equipment	3

We were surprised to find that 10% of all adults bought *food* by mail during the past year, considering how easy it is to get just about anything you want to eat in a supermarket or in a gourmet shop.

On the other hand, look at categories fifteen and sixteen: Hunting, fishing, and camping equipment—and sports equipment and supplies. It appears to us that we are not getting enough business from these categories, considering the very broad interest in them, and with fishing the number one sport in America.

Perhaps we should have grouped those two categories together. Allowing for overlap, let's call those two sixes a 9% or 10%. Even so, it seems relatively low.

And insurance seems incredibly low at five percent.

Another way to measure the depth of our market is to ask how many of the people who buy through direct response buy in a number of different categories. (See Chart 3, page 22.)

Again we start with 35% of all adults who either have never bought anything by direct response, or didn't do so during the past year.

The significant figure is at the bottom. Our largest single group of customers is the 25% who have bought in five or more categories during the year. That's one quarter of *all United States adults*.

So the first thing we learned from our research is that we're right to be bullish about our business. It's a big business; it's growing bigger; and huge numbers of people are willing to spend large amounts of money through direct response in many different product categories.

Our research also looked for clues to the future to determine what the prospects are for continuing our growth—or even for speeding it up.

As we discussed at the beginning of this article, there are a number of conditions present today that are favorable to the growth of direct response. Given the presence of these factors, it may be fair to ask why our business is not growing at a faster rate. And here our research gives us a few hints.

We took the most important product categories and looked at each of them in terms of the percentage who say they prefer to buy that kind of product via direct response, but don't actually do it.

% all adults who prefer but did NOT buy

Rank		
1.	Books	6.7%
2.	Collectors' items	6.4
3.	Film/Developing	6.2
4.	Seeds, Garden	5.1
5.	Hobby, Crafts	4.9

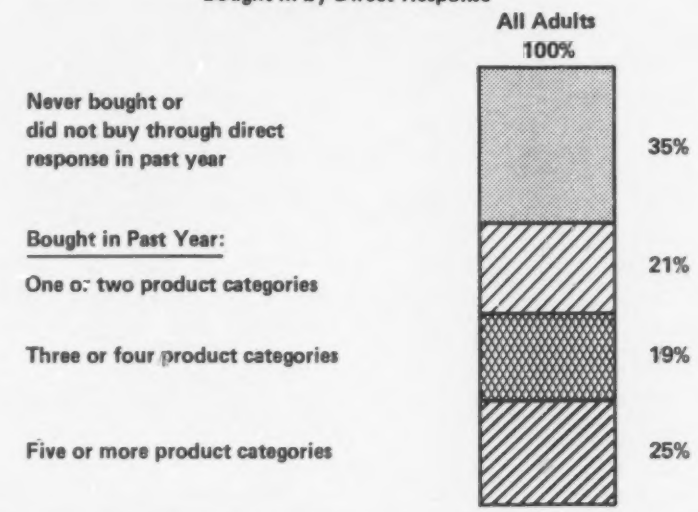
Above are the top five categories. They represent unrealized potential. Let's call them "sleepers."

Are those figures high or low? It depends on the category.

You can determine this if you take the total

Chart 3

Number of Product Categories Bought in by Direct Response



percentage of adults who prefer buying the category through direct response, and look at what percentage of them are "sleepers."

% all adults who prefer buying the category by direct response

	Total	But did *not* buy	Did *not* buy as % of total with preference
Collectors' items	11.4%	6.4%	56%
Home study courses	8.1	4.1	51
Insurance	5.9	2.9	49
Sports equipment	7.4	3.4	46
Books	29.7	6.7	23
Seeds, garden supplies	19.1	5.1	27
Shoes, clothing	18.5	2.5	14

Moving across the top, we see that of the 11.4% of adults who *prefer* to buy collectors' items by direct response, 6.4% did *not* do so. These "sleepers" represent 56% of the adults who prefer to buy collectors' items by mail.

The proportion of "sleepers" is relatively high for several other product categories, namely home study courses, insurance and sports equipment. On the other hand, it is relatively low for books, seeds and garden supplies, and shoes and clothing. These figures provide some clues as to where the opportunities exist for future growth.

Another way of improving our chances for success is to develop a deeper understanding of who represents our target market. People behave differently as consumers, according to their age, their income, the part of the country they live in, their way of life, and so on. Our research has given us some sharper insights into some of these differences in behavior.

Let's take income as an example.

Income Segmentation

% buying by direct response among families with:

	Incomes over $25,000	Incomes under $25,000	Ratio
Home furnishings	8%	3%	2.7:1
Sports equipment	9	5	1.8:1
Food	15	9	1.7:1
Credit card	31	20	1.6:1
Auto parts and supplies	14	9	1.6:1
Books/Book club membership	43	31	1.4:1

Look at the large differences in purchasing patterns between families with incomes *over* $25,000 and those with incomes *under* $25,000. The high income families are nearly three times more likely to buy *home furnishings* by direct response and nearly twice as likely to buy *sports equipment* and *food* by direct response.

In other categories, *age* is a key factor.

Age Segmentation

% buying by direct response among people who are:

	Under 35	Over 35	Ratio
Home study programs	7%	3%	2.3:1
Film or film developing	23	13	1.8:1
Cosmetics or toiletries	11	6	1.8:1

People under 35 are *more than twice* as likely to buy home study programs by direct response, and *nearly* twice as likely to purchase film and film processing or cosmetics and toiletries via direct mail.

While these particular figures may not surprise you, they at least reconfirm the importance of knowing how old your best prospects are.

Sometimes geography is what counts.

Geographic Segmentation

% buying by direct response among people living in:

	Western Region	Remainder U.S.	Ratio
Insurance	9%	4%	2.2:1
Vitamins/health remedies	9	5	1.8:1

Twice as many Westerners buy insurance by direct response as the rest of us—and then, to make sure they don't have to collect on it, they send off for twice as many vitamins and health products.

Besides determining where the best opportunities for future growth exist and identifying our target market, we should look at what consumers are telling us. For example, in our study, we asked people what would get them to buy *more* through direct response.

They said they would buy more via direct response if:

	Percent of all adults
1. They could be sure they would get what they expected.	79%
2. Offers were from companies they could trust.	78%
3. They were offered things they couldn't buy close to home.	77%
4. It was easier to return merchandise.	77%
5. They were given a money-back guarantee.	75%
6. The prices were lower.	75%
7. They were offered things that interest them.	71%
8. They were sent a receipt or confirmation of order.	70%
9. It was easier to get problems straightened out.	69%
10. The offers were from a well-known company.	64%
11. They were offered a free trial period to examine order.	61%
12. They were billed after order received.	59%
13. They could pay over a period of time.	43%
14. They could use their credit card.	40%
15. They were given a charge account.	28%

We think these consumers are trying to tell us something. More precisely, they are confirming something we already know.

We've placed in a box all the statements that have to do with *"trust"* in one way or another. The top two—and those are huge numbers at the top; three of the top four; and five of the top eight, all tough on *"trust"* in one way or another.

Only *one* of the top eight concerns *price*.

By contrast, all four at the *bottom* have to do with more convenient methods of paying.

In recent years the industry has worked very diligently in its efforts to build trust. The DMA Ethics Committee has made great progress toward establishing and enforcing standards. And so many others have done so much.

But evidently we aren't getting through to the customers. At least we aren't getting through *enough*, to enough of them.

The fact remains that the single most productive thing we can do is build trust.

- Our growth patterns appear healthy. Even if we just stick to our knitting they ought to carry us nicely through this decade.
- But if we want to grow *faster*, we'd better do a lot of digging into who our best prospects are, how they live, and *where* they live. We ought to get to know them better.
- And if we want to grow even faster than that, we'd better figure out how to get more people to *trust* us a little more.

Perceptions Behavior & Attitudes of American Express Cardholders Regarding Direct Mail (A Quantitative Report)

Prepared by National Analysts, A Division of Booz-Allen & Hamilton, Inc. for American Express Company in cooperation with Direct Mail/Marketing Association.

A. Receipt and Disposition of All Mail

1. Cardmembers report receiving a very high volume of mail, nearly half of which is comprised of direct mail items (as opposed to personal letters or cards, bills, magazines and newspapers).

   Potential Cardmembers report receiving approximately the same average number of personal letters or cards as did Cardmembers, but fewer of every other type.

2. About half of all Cardmembers receive direct mail at their offices, as well as at home. Somewhat fewer potential Cardmembers (37%) receive direct mail at the office.

   While most personally addressed direct mail is opened by the respondent, a sizeable proportion is screened or opened by other people, either at home or at the office.

   Less than half of direct mail addressed jointly to the respondent and someone else, or to "occupant," is opened by the respondent:

   - At home, this is usually done by the spouse.
   - At the office, the secretary most often does this.

B. Direct Mail in General

1. The majority of Cardmembers report that they receive a wide variety of types of direct mail. For most categories, more Cardmembers than potential Cardmembers report having received these types of mail during the previous six months. In both groups, the types of mail most frequently received were:
   - Sales offers inserted with bills
   - Information pieces inserted with bills
   - Catalogs or sales announcements from local stores
   - Request for contributions from charities
   - Magazine subscription offers

Most Cardmembers feel that they are now receiving about the same amount of direct mail as in the past, but nearly two out of five feel that they have been receiving more lately.

2. There are relatively few categories of direct mail for which the majority of Cardmembers exhibit a positive reaction. Of 18 categories of direct mail, for only six did a majority of Cardmembers rate them as "useful, enjoyable or interesting." These included:
   - Entertainment announcements
   - Catalogs or sale announcements from local stores
   - Educational announcements
   - Mail order catalogs
   - Travel announcements or brochures
   - Coupons or samples of products

   Nearly all Cardmembers (92%) report a positive reaction to at least one category of direct mail. Somewhat fewer (72%) report a negative reaction ("nuisance" or "objectionable") to at least one category.
3. The predominant disposition of direct mail reported by Cardmembers is "scan and throw away."

   The major exception to this is a high percentage who report that they "read and save" mail order catalogs.

   The two categories of direct mail most often reported to be "thrown away without reading" were:
   - Insurance offers or mailings
   - Offers for vacation retirement land sales
4. Cardmembers most often report having responded to the following types of direct mail solicitations:
   - Catalogs or sales announcements from local stores
   - Mail order catalogs
   - Requests for contributions from charities
5. Fewer than two out of five Cardmembers and potential Cardmembers were aware of any organization through which they could get their names either added to or removed from mailing lists.
   - The most frequently named organization was the Post Office.
   - Approximately equal percentages of Cardmembers mentioned the Direct Marketing Association and American Express Company.

C. American Express Direct Mail

1. American Express Cardmembers exhibit considerably more favorable attitudes and responses toward American Express direct mail than they do toward direct mail in general.
2. Cardmembers show a very high *unaided* awareness of receiving American Express merchandise offerings but relatively low awareness of receiving other types of mail.

   With *aided* recall, awareness of *informational* mailings dramatically increased.
3. Cardmembers report that they pay much more attention to mail they receive from American Express than they do to other direct mail that they receive.

   In contrast to direct mail in general, relatively few Cardmembers report throwing away American Express direct mail without reading it.
4. Cardmembers report a reasonably high level of response to American Express direct mail, compared to their responses to other direct mail. The highest percentages of Cardmembers report having responded to:
   - Offers for *Travel and Leisure*
   - Merchandise catalogs
   - Merchandise offerings
   - Offers for air trip insurance
5. Cardmembers report positive reactions to all but two categories of American Express direct mail:
   - Offers for supplementary Cards
   - Offers for "other kinds of insurance"
6. Cardmembers generally have a very positive *image* of direct mail that they receive from American Express:
   - There was near unanimity as to the quality of American Express direct mail.
   - While there was less agreement as to the utility of American Express direct mail, a majority did give it positive ratings.
7. Nearly all Cardmembers think that, in general, American Express provides them with enough information about services and benefits. The only segment notably less inclined toward this belief was new Cardmembers. Those who desire more information say they would most like to receive more information listing places that accept or do not accept the American Express Card, detailing any

available services and describing the travel service they employ.

A slight majority (54%) of Cardmembers are content with the amount of direct mail that they currently receive from American Express. However, 32% would prefer to receive less than they currently do.

8. Cardmember attitudes toward mail order merchandise offered by American Express are very positive:
   - Most believe that it is of high quality and reasonably priced, although not necessarily a bargain.
   - A majority believe that there would be no great difficulty in resolving problems with merchandise ordered from American Express.
9. Cardmembers exhibit a relatively low degree of awareness that American Express Company makes its mailing lists available to other selected firms.

   Those Cardmembers who think that American Express makes its mailing lists available to others are of the opinion that it is a ubiquitous practice among companies. Nearly half of these Cardmembers feel that American Express tends to be more selective than other card issuers.

   When asked directly, a majority of Cardmembers were aware that American Express Company will remove a member's name from its mailing lists if requested to do so. However, only about one out of four remembers ever receiving a list-exclusion form, and only 3% recall having taken action to have their names removed.
10. Attributed Cardmembers (that is, those who have responded to at least one of American Express's service or merchandise offers) tend to be more positive in their ratings of American Express Company and the American Express Card than are non-attributed Cardmembers.

    Attributed Cardmembers have higher opinion of mail they receive from American Express, and they feel more strongly that American Express is "very effective" in communicating with its Cardmembers.

    Subscribers to *Travel and Leisure* and merchandise buyers consistently report more positive views of direct mail offers than non-subscribers.

    Other attributed Cardmembers are more selective in their judgments of direct mail offers from American Express.

D. Images of, and Attitudes toward, American Express Company and the American Express Card

1. Cardmembers express very positive regard for both the company and the Card. Positive ratings on all questions were reasonably uniform among all the Cardmember segments.
2. Despite their positive reactions to the merchandise itself, Cardmembers report that their feelings toward American Express Company are positively affected by information mailings, but tend to be more negatively affected by merchandise mailings.
3. Cardmembers rated American Express Company highly on communicating with its Cardmembers. Nearly all feel that, in general, the company provides enough information about services and benefits.
4. Very few Cardmembers or potential Cardmembers report having received multiple, or duplicate, solicitations for American Express Cards, and very few who received them felt that it was a nuisance.

E. Comparison of Cardmember Segments

The perceptions, attitudes and behavior of the different Cardmember segments are notable more for their similarities than for their differences. Briefly:

- New Cardmembers were slightly more interested in informational mailings than were Cardmembers with longer tenure.
- Cardmembers with heavy receipt of American Express direct mail were more favorable toward direct mail, in general, and American Express mail, in particular, than were Cardmembers at lower levels of mail receipt.
- List-exclusion Cardmembers were less favorable toward direct mail than other Cardmembers, but were by no means strongly negative.
- Gold Cardmembers did not differ substantially from Green Cardmembers in their perceptions or attitudes concerning American Express Company and its direct mail.
- Cardmembers with high billing volume were less positive about some aspects of direct mail than Cardmembers with lower billing volume. For example, they were less inclined to judge nearly all types of American Express direct mail as "interesting, enjoyable or use-

ful," and a higher percentage desired to receive "no mail" at all from American Express.

- There is little disagreement among the segments of Cardmembers as to the appropriateness of offers for *Travel and Leisure* magazine. On the issues of merchandise and insurance offers, Cardmembers segments were also more or less in agreement. Exceptions to this are the new Cardmembers and Cardmembers with heavy mail receipt (who were more inclined to be positive about the appropriateness of these offers), and list-exclusion Cardmembers (who were more inclined to be negative).

F. Reactions to Different Types of American Express Direct Mail

Purely informational mailings were the most favorably received type of American Express direct mail. This category includes: the Cardmember Guide, information about membership and members' benefits, newsletters, and information about travel service offices and Travelers Cheque dispensing machines.

Mail having to do with travel was the next most favorably received category of mail. Cardmembers reported relatively positive reactions to: travel-related information, offers for air trip insurance, and offers for subscriptions to *Travel and Leisure*.

The third most favorably received type of direct mail was related to merchandise, including merchandise catalogs and single merchandise offers.

The only two types of American Express direct mail which were not rated interesting, enjoyable or useful by at least 50% of those who received them were offers for supplementary credit cards and offers for "other kinds of insurance such as accidental death, life, etc."

G. Perceptions, Attitudes and Behavior

Drawing on the findings of both the qualitative phase of the study, and the quantitative survey of current and potential Cardmembers *reported herein*, the following generalizations may be made concerning perceptions, attitudes and behavior regarding direct mail in general, and American Express direct mail in particular:

- In spite of occasional complaints about direct mail, the majority of Cardmembers are at worst neutral toward most categories of direct mail and are positive toward several. Even those categories that evoked negative reactions do not constitute serious disturbances to the majority of Cardmembers or potential Cardmembers.
- American Express Cardmembers are, by and large, satisfied with the amount of direct mail that they receive as a result of their Cardmembership. They rate American Express highly on its communication with its Cardmembers, and they have very positive attitudes concerning the company, the Card and its direct mail.
- American Express Cardmembers exhibit considerably more favorable attitudes and responses toward American Express direct mail than they do toward direct mail in general. They report paying considerably more attention to American Express direct mail than they do to other direct mail that they receive.
- It appears that Cardmembers have a relatively positive view of American Express direct mail merchandise. They feel that the merchandise is of high quality and is reasonably priced (although not necessarily a bargain). While most have never ordered merchandise through American Express, the general feeling among Cardmembers is that the company would be relatively easy to deal with regarding merchandise ordered through the mail.
- Cardmembers report extremely positive attitudes toward American Express Company and the American Express Card. They estimate that informational mailings tend to have a positive effect on their feelings toward the company. However, a majority do not report that their feelings toward the company are enhanced by merchandise or insurance offers.
- Likelihood of American Express Card renewal is extremely high among all Cardmember segments and especially so among heavy users.
- Among those who receive American Express direct mail, there is no evidence of a relationship between volume of mail received and intention to renew the Card. That is, heavy, medium and light mail receivers have virtually identical likelihoods of renewal.
- Very few Cardmembers or potential Cardmembers report having received multiple, or duplicate, solicitations for American Express Cards, and very few who received them report being negatively affected by these mailings.

- Cardmembers display a relatively low level of real interest in the issue of direct mail and/or *list rental*.

  Most are not aware that they have ever been sent a form that they could use to have their names removed from mailing lists, and, of those aware, very few have returned the form.

  When probed, relatively few Cardmembers are certain that American Express makes its lists available to other firms, and about two out of five think they do not.
- However, when asked about their feelings concerning list rental, the majority of Cardmembers say they would object to this practice, half of them strongly. Only one in eight reports even slight favorability toward rental of lists.

Therefore, it appears that American Express can continue sending at least the same level of direct mail to its Cardmembers with little risk of negative effects on attitudes, as long as its current standards of quality and integrity are maintained.

Compilation of Mail Order Usage Incidence Demographics

by Arnold Fishman
Marketing Logistics, Inc.

A. Introduction

Large sample data on consumer mail order buying behavior by demographic segments has been difficult to access. Two major market research organizations, Simmons Market Research Bureau, Inc. and Management Horizons, Inc., have generously made available rich data on the demographic dynamics of mail order buying behavior.

Selections from the Simmons data report on the incidence of mail order buying in the past 12 months for mail order buying, in general, and for 15 product categories for total adults and for eleven demographic variables and for forty-six specific demographic segments.

Selections from the Management Horizon data examine past six-month usage and usage at any time of seventeen difference channels of non-store buying, including mail order and other channels of direct response by four demographic variables and nineteen specific demographic segments.

The Simmons data highlights the general upscale slant of mail order buying reflected in household income, educational attainment and occupational status, as well as the heightened participation in mail order buying of women, parents, home-owners and non-metro residents. For example, while 45.5% of total adults have used mail order in the past 12 months, 49.7% of women have compared to only 40.9% of men. An examination in each column of the percentage of each segment buying the specified product through mail order will reveal a valuable product buyer profile. An inspection across each row of the Simmons data indicates relative differences in mail order buying for a given population segment across the array of product categories.

While the Simmons data addresses mail order product buying incidence variations by population segment, the Management Horizons data addresses the variations in non-store buying channel usage by population segments. For example, the popularity of mail order catalogs is bimodal by income group extremes, with the highest income segment of $35,000+ having ever used mail order catalogs more often than any other non-store buying vehicle, and the lowest under $7,500 segment having used mail order catalogs as often as any other medium. While an examination of rows of the Management Horizon data offers non-store media profiles of population segments, an examination of the vertical columns provides demographic profiles of non-store promotional channels.

B. Mail Order Usage Incidence Demographics Extracted from Data Made Available By Simmons Market Research Bureau, Inc., New York*

*Source: 1980 Nationwide Projectible Sample Study of Media and Markets: Multi Stage Area Probability Sample of 11,500 Respondents Completed Through September 1980, using a Personal Interview for Demographics and a Self-Administered questionnaire for product and buying behavior.

% Ordering Mail Order Items in Past 12 Months

	Total U.S. (000)	Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit, Cheese, Specialty Foods	Clothing	Needlecraft Kits, Supplies	Sporting Goods	Tools	Cookware, Kitchen Accessories	Small Appliances	Trees, Plants, Seeds	Auto Accessories
Total Adults	158,437	45.5	2.8	7.2	3.4	6.5	15.2	4.4	2.6	14.1	3.4	1.3	2.5	4.0	1.5	6.2	3.7
Males	75,913	40.9	1.3	6.1	1.6	6.3	13.7	3.5	1.9	9.8	1.3	1.9	3.7	2.8	1.3	5.0	5.1
Females	82,524	49.7	4.2	8.3	5.1	6.6	16.5	5.3	3.2	18.0	5.3	.7	1.5	5.1	1.7	7.2	2.3
18-24	28,416	42.4	3.0	6.6	4.2	7.4	12.6	4.0	1.3	10.6	2.7	1.2	1.8	4.6	1.0	4.1	4.5
25-34	35,883	50.2	3.2	11.2	3.7	7.1	18.2	5.6	2.0	13.4	3.9	1.8	2.9	4.2	1.4	5.3	4.1
35-44	25,688	50.5	2.9	8.8	5.7	7.6	17.7	5.2	3.0	15.7	2.3	1.5	3.3	3.8	1.3	7.4	3.6
45-54	23,492	48.1	3.6	7.6	3.2	6.5	16.9	4.6	4.1	16.9	4.1	1.4	2.8	4.1	2.1	7.3	3.1
55-64	21,310	46.3	1.8	4.1	1.6	5.0	13.9	3.7	3.1	17.7	4.1	1.1	2.7	4.0	2.3	7.9	4.1
65 or older	23,148	33.1	2.1	2.9	1.3	4.4	10.2	2.9	2.7	11.5	3.1	.5	1.8	2.9	1.2	5.9	2.1
Graduated College	23,478	54.7	4.0	13.7	3.3	6.8	22.2	6.8	1.7	15.2	4.4	2.4	3.6	4.3	1.5	4.8	4.4
Attended College	26,198	50.8	3.7	8.1	4.2	6.8	17.6	5.0	2.2	15.5	3.6	1.1	2.7	4.8	1.9	5.8	3.9
Graduated High School	60,496	48.5	3.0	7.4	4.0	6.5	17.7	4.6	2.9	15.8	4.2	1.4	2.6	4.6	1.7	6.5	3.6
Did Not Graduate High School	48,266	34.2	1.6	3.4	2.3	6.1	17.2	2.8	3.2	10.5	1.7	.7	1.9	2.6	1.0	7.7	3.3
Professional Manager	28,393	53.3	3.0	11.6	2.9	6.5	20.3	5.7	3.9	15.2	3.4	2.6	4.0	3.4	2.2	8.6	4.6
Clerical Sales	23,360	52.4	3.6	9.4	5.7	7.5	18.4	5.7	3.0	16.5	4.8	1.4	2.3	6.0	1.6	6.1	3.8
Craftsmen Foremen	13,140	39.0	1.0	3.5	1.6	5.5	10.7	2.4	.6	9.5	1.3	1.0	3.6	2.3	1.1	6.9	5.9
Other Employed	31,689	43.3	2.2	7.1	2.9	7.3	13.5	3.2	1.1	14.7	2.6	1.4	1.8	3.8	1.1	4.1	4.3
Single	31,338	39.2	2.8	6.5	3.6	6.6	13.9	2.6	1.7	10.3	2.0	1.1	1.2	3.6	1.2	3.9	4.3
Married	101,198	49.5	2.9	8.0	3.5	6.8	16.4	5.4	2.9	15.4	3.6	1.6	3.4	4.3	1.7	7.5	4.0
Divorced/Separated or Widowed	25,902	37.3	2.8	5.0	2.8	5.1	11.8	3.0	2.6	13.4	4.0	.5	.8	3.2	1.0	3.9	1.7
Parents	59,171	51.3	3.1	8.9	4.5	7.6	16.5	5.9	2.5	16.0	3.3	1.7	3.5	4.3	1.5	6.6	3.7
Northeast	37,738	45.7	3.2	7.8	3.9	5.0	15.9	6.6	3.2	14.9	3.9	.7	3.0	5.2	1.4	8.2	4.1
East Central	23,546	48.4	3.2	7.3	2.3	7.4	15.2	5.4	2.4	15.7	3.7	1.3	3.5	3.7	1.9	6.2	3.8
West Central	27,420	49.6	3.2	7.9	3.0	6.7	15.9	4.9	2.7	17.8	4.0	2.0	2.7	3.9	1.5	7.7	4.1
South	43,632	42.1	2.2	6.3	3.2	6.9	13.4	3.0	1.7	12.1	2.0	1.2	2.1	3.3	1.1	4.3	3.2
Pacific	26,102	43.7	2.6	7.4	4.7	5.2	16.1	2.3	2.2	10.8	3.9	1.4	1.7	3.9	2.0	4.7	3.2

% Ordering Mail Order Items in Past 12 Months

		Any Product	Cook Books	Book Club Books	Cosmetics	Records	Magazines	Photo Processing	Fruit, Cheese, Specialty Foods	Clothing	Needlecraft Kits Supplies	Sporting Goods	Tools	Cookware, Kitchen Accessories	Small Appliances	Trees, Plants, Seeds	Auto Accessories
Metro Central City	49,614	41.4	2.6	6.7	3.1	6.2	13.5	3.1	2.1	11.5	2.6	1.2	2.0	3.6	1.3	4.3	3.6
Metro Suburban	66,315	45.9	2.9	7.8	4.0	6.3	16.0	4.7	2.8	13.0	3.4	1.2	2.3	4.3	1.4	6.0	3.6
Non-Metro	42,508	49.5	3.0	7.0	2.8	5.9	15.8	5.6	2.7	18.7	4.3	1.5	3.5	4.0	1.0	8.5	3.8
Head of Household Income $25,000+	49,250	53.5	3.3	9.7	3.7	6.6	19.8	4.9	3.9	16.0	3.7	2.0	3.5	4.7	1.7	7.8	5.1
$20,000-$24,999	20,176	51.4	3.2	10.8	4.0	7.3	17.9	5.9	2.5	15.8	3.7	1.8	2.8	5.1	2.3	7.5	3.9
$15,000-$19,999	21,826	48.6	3.0	7.9	3.3	6.8	15.2	5.3	2.3	13.4	4.0	.8	2.2	4.8	1.5	5.6	4.1
$10,000-$14,999	31,323	43.0	2.6	5.9	3.9	7.0	12.8	3.9	2.0	15.5	3.1	1.1	2.6	3.4	1.1	5.6	4.0
$5,000-$9,999	21,352	36.6	2.1	3.7	2.4	6.4	11.5	3.5	1.8	11.1	2.5	.5	1.3	2.7	1.4	4.3	1.0
Under $5,000	14,510	23.7	2.2	1.2	2.4	3.2	6.0	2.0	1.1	7.1	2.9	.3	1.4	2.1	1.0	3.4	1.0
Household of: 1 Person	18,545	36.4	2.9	6.0	2.5	4.1	11.9	2.7	2.2	12.8	3.7	6	1.2	2.2	1.7	3.2	1.6
2 People	52,367	43.8	2.3	6.6	2.3	5.7	15.0	3.8	3.2	13.4	3.6	1.2	2.5	4.4	1.5	6.5	3.7
3 or 4 People	59,649	49.7	3.3	8.3	3.8	7.6	16.6	5.6	2.7	14.7	3.2	1.5	2.8	4.2	1.5	7.0	4.0
5 or More People	27,876	45.4	2.7	7.0	5.1	7.0	14.5	4.3	1.6	14.8	3.0	1.6	2.1	4.0	1.6	5.7	4.2
No Child in Home	89,448	42.2	2.7	6.4	2.5	5.9	14.6	3.6	2.8	13.1	3.5	1.0	2.1	3.9	1.7	6.1	3.3
Children Under 2 yrs.	12,193	48.9	2.7	9.4	3.7	6.7	16.0	7.0	1.9	12.7	3.0	2.3	3.0	4.5	.9	5.6	3.7
2-5 yrs.	22,925	48.8	2.9	10.5	4.1	7.5	13.9	4.6	1.4	13.7	3.4	1.8	3.3	3.9	1.6	5.3	3.9
6-11 yrs.	30,646	49.3	2.9	9.0	4.1	8.3	16.5	5.2	2.2	16.0	2.9	2.2	2.9	4.1	1.3	5.5	3.8
12-17 yrs.	35,365	48.9	3.1	6.4	4.9	7.3	14.8	4.9	3.0	16.2	2.9	1.4	2.9	3.4	1.0	6.6	4.5
Residence Owned Value:	107,657	48.7	2.6	7.5	3.2	6.2	16.2	4.6	3.0	16.0	3.6	1.6	3.1	4.3	1.7	7.6	4.2
$40,000+	61,574	51.3	3.0	8.2	3.5	5.3	17.5	5.3	3.7	16.6	3.8	1.7	2.9	4.4	1.8	8.7	4.4
$40,000-	46,082	45.3	2.0	6.7	2.5	7.3	14.4	3.8	2.1	15.1	3.2	1.5	3.4	4.2	1.6	6.1	4.1

C. Mail Order Usage Incidence Demographics Extracted from Data Made Available By Management Horizons, Inc., Columbus, Ohio*

% Ever Used

	Mail Order Catalogs	Records, Toys, Books	Monthly Bill Ads	Local	National	Catalog Showrooms	800 Phone Numbers	Phone Call By Salesperson	Door-To-Door			Party Plan			Food Co-ops, Product Buying Groups	TV Direct Response	Newspaper, Magazine Ads Response
									Personal Care	Household Ware	Apparel/ Jewelry	Personal Care	Household Ware	Apparel/ Jewelry			
Male	32	24	18	42	40	26	19	5	13	7	2	7	17	6	6	15	19
Female-Employed	37	28	15	52	45	28	23	7	29	14	3	21	41	19	3	18	18
Female-Unemployed	35	19	14	45	38	21	16	8	26	11	3	15	35	15	3	14	1
Under 25	31	26	12	40	32	26	25	8	25	7	2	11	27	12	8	16	21
25-34	35	31	15	47	42	30	21	5	25	10	4	14	42	21	5	18	22
35-44	38	38	22	56	49	24	19	10	31	14	4	24	43	19	3	20	12
45-54	39	17	15	57	49	29	23	7	30	14	2	17	34	15	3	15	18
55-64	37	17	17	42	40	26	18	8	18	11	—	13	25	8	2	16	18
Over 65	29	6	9	35	28	11	9	5	12	9	1	9	14	6	1	5	16
Graduated College	40	29	17	47	48	29	21	8	20	13	2	13	31	12	6	11	18
Some College	37	26	19	54	45	32	21	9	27	13	—	19	37	16	4	17	21
High School Graduate	37	22	17	48	43	24	22	7	28	10	4	18	37	17	2	20	21
Some High School	25	20	7	42	30	15	11	4	22	9	1	8	26	13	—	16	8
Grade School Graduate or Less	29	10	9	31	23	11	11	5	13	8	1	8	20	7	5	8	10
$35,000+	55	29	26	45	52	35	32	16	23	16	—	3	19	6	—	19	26
$20,000-$35,000	46	28	20	56	57	34	29	6	30	12	2	22	40	14	4	17	16
$12,000-$20,000	34	30	20	55	46	30	22	6	26	12	4	22	42	19	4	18	23
$7,500-$12,000	37	26	16	47	33	22	16	8	23	12	2	13	29	16	2	14	18
Under $7,500	28	15	5	28	26	10	8	8	19	8	2	6	21	4	3	12	15

*Source: National Probability Sample Survey of 1,000 Households Conducted in July, 1978—Conducted by Telephone.

% Used Past 6 Months

	Mail Order Catalogs	Records, Toys, Books	Monthly Bill Ads	Local	National	Catalog Showrooms	800 Phone Numbers	Phone Call By Salesperson	Door-To-Door			Party Plan			Food Co-ops, Product Buying Groups	TV Direct Response	Newspaper, Magazine Ads Response
									Personal Care	Household Ware	Apparel/ Jewelry	Personal Care	Household Ware	Apparel/ Jewelry			
Male	16	16	6	28	20	13	12	4	7	2	1	2	6	1	4	7	9
Female-Employed	17	17	5	29	25	16	11	4	17	6	1	6	18	4	1	8	7
Female-Unemployed	16	11	6	24	21	11	9	3	17	3	2	4	16	3	1	7	10
Under 25	16	14	5	22	18	16	13	5	16	1	—	7	16	2	4	7	9
25-34	17	19	6	29	27	17	10	3	13	5	1	5	23	5	2	10	13
35-44	19	26	8	35	32	15	11	5	22	7	3	7	20	2	1	10	7
45-54	18	10	7	34	26	17	14	3	21	5	1	4	12	4	2	5	8
55-64	17	9	4	21	15	8	9	2	10	2	—	2	9	1	1	7	7
Over 65	10	2	3	17	11	4	6	2	5	2	1	1	1	—	1	3	10
Graduated College	16	18	8	27	27	18	13	4	11	4	—	4	14	1	2	6	9
Some College	19	15	7	32	25	16	12	4	18	5	—	5	15	3	2	8	11
High School Graduate	19	14	6	29	24	13	11	4	18	4	2	6	17	4	1	9	11
Some High School	9	11	3	20	16	8	5	1	13	2	1	2	14	1	—	7	2
Grade School Graduate or Less	9	7	1	15	6	4	7	—	5	2	1	1	6	2	2	5	6
$35,000+	29	19	16	34	29	16	23	10	19	10	—	—	13	3	—	13	6
$20,000-$35,000	20	19	7	34	33	22	19	3	19	6	1	6	18	2	2	7	7
$12,000-$20,000	16	19	8	34	26	15	11	2	17	5	2	6	21	4	2	9	13
$7,500-$12,000	14	16	5	24	17	12	6	2	13	4	1	5	13	5	1	6	8
Under $7,500	15	6	2	10	10	3	4	2	12	2	1	4	7	1	1	8	5

Why They Like Shopping By Mail
Material from Profitable Direct Marketing

Jim Kobs
Kobs & Brady, Inc.

Jim Kobs in his book, *Profitable Direct Marketing*, from which the two following segments are excerpted, says: The amount of research that's been done on why consumers buy by mail is relatively limited, and those studies that have been done are often difficult to compare because questions are not standardized. Despite these limitations, let's look at two research studies that bring out some interesting comparisons.

The first was done by *Better Homes and Gardens*, to measure reader attitudes and buying habits from its mail order shopping section. Readers were asked: "Why do you purchase items by mail?" The responses came out as follows:

Can't find items elsewhere	33%
Convenience	27%
Fun	7%
Price	5%
Better Quality	1%
Other	1%
Don't purchase items through the mail	32%

NOTE: Totals more than 100 due to rounding.

The second study was done by a leading direct marketing catalog house, and was limited to its own customer list. One question asked: "Why do you buy from (firm name)?" Here's how the answers came out:

Convenience	49%
Items not found elsewhere	37%
Variety	16%
Price	14%
Service	12%
Desirability for gifts or personal use	11%
Quality	10%
Other (free gifts, utility of items, etc.)	10%

NOTE: Totals more than 100 because of multiple answers.

While there are some obvious differences in the figures, the similarities are worth noting. Both studies put "convenience" and "can't find elsewhere" at the top of the list. While the latter points out the importance of offering items that are not readily available at retail, I suspect that many of the items consumers had in mind *were* available at retail . . . but the consumer was not aware of them, and it took a direct marketing ad or catalog to bring them to her/his attention. So what we're really talking about is *perceived unavailability.*

Also, in both studies price and quality were rated much lower. it should be mentioned, however, that the merchandise most commonly found in this magazine's shopping section and this particular catalog tends to be low-priced. Direct marketers offering more expensive or upscale merchandise might find these factors are more important with their customers.

The Convenience Of Armchair Shopping

What about that convenience which consumers cite? If you really think about it, it actually covers two broad areas. First, avoiding some of the problems and frustrations of retail shopping. Second, the particular benefits that are common to direct marketing . . . like free trials and delivery right to the home.

John L. Blair, President of New Process Company, feels that this convenience has played an important role in the growth of his mail order clothing firm. He has commented to stockholders: "In the opinion of many knowledgeable retailers, the newest, and perhaps the most exciting, era of mail order selling is just dawning. Ever-higher gas prices, the never-ending problem of finding a parking space, the incomplete stocks, the indifferent clerks—these reasons and many more like them are causing increasing numbers of people to forsake lengthy and time consuming shopping excursions. Instead, they seem to prefer the convenience of shopping by mail, at their leisure, in the comfort of their living room."

Balanced against these direct marketing advantages, the major drawback for many consumers has always been the inability to "touch and

feel" an item before ordering. But Martin Baier, Vice President of Marketing for Old American Insurance Company, is among those who feel that even this negative factor is slowly becoming less important. Baier reasons that today's consumer is a more self-reliant purchaser. He or she has been made so out of necessity—by the trend to discount stores and the decline of personal selling. And it's this growing self-reliance, he feels, that makes a consumer more likely to shop on his own from a catalog, ad or mailing.

Estimated Sales Volume of Leading Direct Marketers*

Company	Estimated Sales Volume (In $ Millions) 1981	1982
Sears	$1,646,000.	$1,886,600.
JCPenney	1,537,000.	1,537,000.
Montgomery Ward (Mobil)	1,231,000.	1,200,000.
Colonial Penn	638,000.	548,000.
Franklin Mint	375,000.	410,000.
Fingerhut, FIGI (American Can)	300,000.	400,000.
Spiegel (Otto Versand)	387,261.	395,000.
Time-Life Books	400,000.	330,000.
Columbia Record Club	195,000.	200,000.
L. L. Bean	132,000.	199,000.
Signature Financial Marketing (Ward)	200,000.	160,000.
American Express	140,000.	150,000.
Grolier	135,000.	147,000.
Hanover House	100,000.	140,000.
Avon Fashions	100,000.	125,000.
Herrschners, Brookstone & Joseph Bank (Quaker Oats)	100,000.	120,000.
Bear Creek	100,759.	110,442.
Bell Systems Sales Center (AT&T)	65,000.	100,000.
RCA Direct Marketing	100,000.	100,000.
World Book Encyclopedia	100,000.	100,000.
New England Business	78,982.	91,595.
Spencer Gifts (MCA, Inc.)	85,000.	85,000.
Current, Inc. (Looart)	70,000.	80,000.
GRI	65,700.	78,500.
Allstate Insurance Company	43,031.	77,247.
The Bradford Exchange	55,173.	70,104.
Amba Marketing Systems (Ambassador)	45,000.	70,000.
Rodale Press	60,546.	68,899.
Lillian Vernon	40,000.	66,000.
Roaman's	50,000.	55,000.
Eddie Bauer (General Mills)	43,000.	45,000.
Cabela's	30,700.	43,000.
Exxon Travel Club	41,000.	40,500.
Heath Company (Zenith Corporation)	115,000.**	40,000.
Horchow	40,000.	40,000.
Miles Kimball	40,000.	40,000.
CML Group	35,801.	38,642.
Bankers Life & Casualty Company	22,000.	32,000.
Williams-Sonoma	20,000.	30,000.
JCPenney Life Insurance	22,691.	25,169.
McGraw-Hill	15,000.	25,000.
George W. Park Seed Company	21,000.	22,000.
Bloomingdales	10,000.	15,000.
Johnny Appleseed's Inc.	13,100.	14,400.
Stuart McGuire	11,000.	10,000.

*Based on figures provided by participating companies. Compiled by DMA's *Research Department.*
**Included retail sales.

United States Postal Service Study

A. Receptivity To Direct Mail

The most recent national study of consumer attitudes to direct mail was undertaken by the U.S. Postal Service in 1974 following its 1972 national study. The USPS findings about consumers' attitudes to direct mail are included because: (1) The majority of consumers only recognize direct mail as direct response advertising. The advertisements carried via the other media are generally classed as "TV advertising" or "newspaper advertising"; (2) Direct mail is the third largest advertising medium, thus consumer attitudes toward it are of vital importance to advertisers. (The two largest among the media are newspapers and TV.); (3) The majority of surveys concerned with consumer attitudes toward advertising are concentrated on attitudes relative to the broadcast and space media.

B. How Much Mail And Why?

Direct response marketers have known for years that their prime advertising targets are their company's own customers. That they still concentrate on their customers is borne out by the USPS Study, "The Household Mailstream," mentioned earlier. It is estimated that 80% of all direct mail is sent to present customers, donors, or members; the remaining 20% is sent to prospects.

Analysis of the mail received and classified by the households participating in the study showed that 47% of third class mail received was from "a company at least occasionally having done business with."

Again, according to USPS' 1974 Study, the average number of advertising and promotional material received *per week* per household was *2.6 pieces; down from 3 pieces per week* per household in 1972. That is less than one piece per day.

This amount can hardly be called a "glut" as some writers have termed it.

The **reasons** for an individual's receiving the average or above average number of direct mail pieces are:

- Responsiveness to direct mail
- Membership in various organizations
- Community activities
- Avocational interests and specific lifestyles
- Higher income and educational attainments

The Privacy Protection Study Commission's "Report on Mailing Lists," July 1977 states:

> "One of the easiest ways for an individual to get his name on a lot of mailing lists is to respond to a direct mail solicitation. There are other ways, such as being named in a public record, or mailing back the subscription form inserted in a magazine purchased at a newsstand, *but responding to a solicitation received through the mail is the surest.* That is something the people who complain about getting mountains of "junk mail" often do not understand. Chances are that the individual who is most inundated with unsolicited mail responds to some of it; if he did not, his name would not be in the customer, member, and donor files from which so many mailing lists derive."

C. Household Mail Attitude Surveys

From time to time, the USPS has conducted surveys of the type of mail received by the average household. The following observations are taken from their results. Tables are reprinted by permission of the Institute for Social Research, which executed the last study and compiled the data. These tables include research from the most recent Household Mailstream study in 1978 and the 1974 attitude survey cited above.

1. Total Mail Received

The average household receives nearly fifteen pieces of mail per week, including over three pieces of third class commercial mail and slightly over one piece of third class non-profit mail per week. This is significantly less than the weekly

volume of first class at nearly eight pieces per week.

The variation in third class regular bulk mail received is not great, with only about 20% claiming to receive under one piece per week and less than 15% claiming to average over six.

The table following shows this data in detail.

Mail Received by Households
Total Volume by Selected Class[a]

(Distribution of Households by Volume of Mail Within Selected Classes)

	Number of Pieces Received by Household										
Mail Class	0	1-3	4-6	7-9	10-12	13-15	16-20	21 or more	Total	Number of Households	Mean[a]
Total, All Classes	1.9%	8.9	12.3	14.7	14.0	11.8	14.2	22.2	100.0%	5,366	14.72
First class	3.8%	22.8	27.0	20.0	11.0	6.5	4.8	4.2	100.0%	5,366	7.60
Second class	33.9%	45.4	12.9	4.9	1.5	0.8	0.4	0.1	100.0%	5,366	2.18
Third class, regular bulk rates	21.2%	42.2	22.4	8.4	3.7	1.0	0.7	0.3	100.0%	5,366	3.32
Third class, nonprofit rates	52.3%	39.0	6.4	1.5	0.5	0.2	0.1	0.1	100.0%	5,366	1.17
Fourth class	88.6%	11.2	0.1	0.0	0.0	0.0	0.0	0.0	100.0%	5,366	0.15

[a]Only major domestic classes and subclasses are presented. An additional .30 pieces of mail is included in the total mean for the other domesitc classes, special and experimental services and foreign mail.

Receipt of mail of all types is relatively even on a daily basis (at about 2.5 total pieces per day), with the only exceptions being that bills are more likely to arrive in the first week of the month, and that somewhat more mail is received on Wednesdays, Thursdays and Fridays than on the other 3 days. This last skew holds for all types and classes of mail. Volumes are shown in the chart below.

Mail Received by Households
By Day of Week

(Distribution of Items by Selected Contents for Each Day)

		Day of Week Received					
Selected Contents	Total	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat
Projected number of mail pieces (000,000)	56,760	7,410	9,440	10,140	10,220	10,230	9,330
Standard error (000,000)	998	183	189	194	197	175	225
	100%	3%	17%	18%	18%	18%	16%

2. Mail by Delivery and Postage Types

The only significant volumes of items delivered by non-USPS carriers were newspapers (46% delivered by non-USPS), plastic bags of advertisements (3%) and other advertisements (2%). Those figures do not include packages or other large deliveries. For deliveries of that sort, a significant proportion of people said that they preferred private deliveries because of speed and lower danger of breakage. This must be balanced against a clearly noted greater familiarity with the USPS.

The table following shows distributions of the type of mailing indicia used, identity of sender and places where delivery was taken.

Domestic Mail Received by Households
Type of Indicia vs. Sender

Type of Indicia	Total	Sender as Reported by Respondent: Household	Business	Nonprofit organization	Government: Fed.	State	Local	Other	Sender not ascertained*
Projected number of mail pieces (000,000)	56,320	7,320	35,180	8,460	2,251	990	937	1,182	
Standard error (000,000)	980	183	620	198	84	49	48	53	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Permit	38.4	1.2	43.2	62.1	7.9	36.2	34.6	49.4	36.2
Meter	32.6	6.0	42.6	21.5	6.0	40.3	44.4	27.2	37.1
Postage stamp	22.0	90.8	11.2	11.6	2.1	4.9	13.3	17.2	24.2
Prestamped card/envelope	2.2	1.5	2.3	3.3	0.5	1.2	5.5	1.6	2.2
Penalty mail	3.7	0.3	0.5	0.9	70.7	10.5	1.7	2.4	0.0
Frank mail	0.6	0.0	0.0	0.2	11.5	2.8	0.3	1.9	0.0
Other	0.4	0.2	0.3	0.4	1.3	4.0	0.2	0.3	0.4
Number of mail pieces sampled	62,249	6,885	30,594	7,097	2,083	885	871	1,061	12,773
Number not ascertained	13,517	183	3,366	1,074	90	71	34	80	8,620

*To project the best estimates of mail volumes, projections are based on only items with information ascertained.

Mail Received by Households
(Distribution of Items by Type of Delivery)

Class and Sender	Projected number of mail pieces (000,000	Standard error (000,000)	Total	Type of Delivery: Directly to door	To box at curb	To building (but not to door)	To cluster of boxes	To post office box	Other	Sample number of mail pieces	Number not ascert'd
Distribution of households	[74,155 mil.]		100.0%	41.7	29.7	12.8	4.6	8.5	2.0	[5,154	221]
Total Mail Pieces	56,760	988	100.0%	42.0	35.3	7.8	4.2	8.7	2.0	78,505	2,838

These percentages do not vary greatly by type of mail.

3. Response Vehicles

The charts below show proportions of third class mail and bills using various types of response vehicles or advertising inserts.

Third Class Mail Received by Households
Selected Contents by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope Within Content Categories)[a]

Contents	Projected number of mail pieces (000,000)	Standard error (000,000)	No return envelope or card	Type of Envelope: Business reply	Postage paid	Postage needed	Type unknown	Return card	Sampled number of mail pieces
Catalog	2,271	85*	64.6%	6.4	2.1	24.8	0.6	1.9	2,394
Ad with order form	1,372	59*	19.0%	38.6	5.9	26.2	0.8	10.8	1,446
Ad without order form	7,480	188*	68.5%	11.9	2.2	9.3	0.3	8.6	7,889
Request for money with order form	328	24*	17.0%	33.0	8.7	33.8	0.6	9.1	346
Request for money without order form	1,044	50*	21.9%	25.0	8.9	43.8	0.7	2.5	1,100
No catalog, ad, request or order form	5,450	152*	80.6%	5.7	1.8	9.3	0.4	2.4	5,749

[a]Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.

*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

Mail Received by Households
Bills With/Without Ads by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope Enclosed Within Categories of Bills With/Without Ads)[a]

Contents	Projected number of mail pieces (000,000)	Standard error (000,000)	No return envelope or card	Type of Envelope: Business reply	Postage paid	Postage needed	Type unknown	Return card	Sampled number of mail pieces
No bill or ad	29,680	529*	86.3%	3.9	1.6	6.8	0.3	1.4	25913
Bill without ad	9,070	207*	43.6%	2.2	1.8	51.4	0.6	0.8	7921
Bill with ad	1,674	68	10.2%	3.7	2.4	81.7	0.6	2.4	1461
Ad without bill	16,330	312*	60.6%	14.4	2.9	15.2	0.4	7.1	14252

[a]Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.

*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

4. Third Class Mail

The tables below show types of third class mail received and their disposition. (Taken from "The Household Mailstream" for the years 1972 and 1974.)

Third Class Mail Received: Description

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
A piece in an envelope	36%	38%
A piece not in an envelope	36	35
A catalog	16	14
Coupons	4	3
A post card	3	3
A small package	3	3
Can't classify	—	1
No answer	2	3
Total	100	100

[1]N=households participating in the studies.

Third Class Mail Received: Address Type

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Was this Item—		
Addressed to a specific member of the household	69%	67%
Addressed to "occupant" or "postal patron" or other general address	26	29
No answer	5	4
Total	100	100

[1]N=households participating in the studies.

Third Class Mail Received: Kind of Sender

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Sent from—		
A company at least occasionally done business with	47%	47%
A company known, business not done with	17	17
A company neither known nor done business with	13	17
A nonprofit organization	17	14
The government	—	—
No answer	6	5
Total	100	100

[1]N=households participating in the studies.

Third Class Mail Received: Reading of Item[1]

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Item was—		
Opened and read by a member of the household	65%	63%
Opened but not read by a member of the household	7	8
Discarded without being opened	9	10
Set aside for reading later	13	14
Don't know/no answer	6	5
Total	100	100

[1]N=households participating in the studies.

Third Class Mail Received: Reception

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Item described as—		
The kind of useful information that I like to receive	43%	42%
Interesting or enjoyable, but not especially useful to me	23	22
Neither interesting, enjoyable, nor useful	20	21
Objectionable	4	4
Don't know/no answer	10	11
Total	100	100

[1]N=households participating in the studies.

5. First Class Mail

The following table shows the disposition of first class mail by type.

First Class Mail Received: Type of Mail

	% of Total Pieces	
	1974 N=14,820[1]	1972 N=5,319[1]
Personal	**25%**	**27%**
Letter from friend or relative	14%	14%
Sympathy/greeting/ thank you card	4	5
Invitation	2	3
Other personal	5	5
Business	**59%**	**60%**
Bill/invoice/premium notice	33	31
Advertising/promotion/sales material	7	9
Financial statements	7	6
Pay or other checks/ money order/credit slip	5	5
Correspondence school	1	1
Other business	6	8
Social Charitable and Nonprofit	**5%**	**5%**
Nonprofit institutions	3	3
Social clubs	1	1
Other	1	1
Government	**5%**	**4%**
Bill/invoice/check	2	1
Political appeal/advertising	1	1
Other government	2	2
No answer/can't classify	6	4
Total pieces identified	94	96
Total	100	100

[1]N=households participating in the studies.

6. Sample Composition

The samples used as the basis for these tables were drawn from the population as a whole on a statistically reliable basis and parallel to general population in all major characteristics.

7. Summary Comparison

The volume of third class mail received by households in 1974 compared to 1972 is as follows:

Amount of Third Class Mail Received

	1974 N=2,102[1]	1972 N=2,062[1]
None	30%	25%
Low (1-2)	32	32
Medium (3-5)	23	24
High (6 or more)	15	19

[1]N=households participating in the studies.

The major change was an increase in the 1974 percentage of households which received no third class mail, and a slight decrease in the percentage of households that received six or more pieces of third class mail. The low and medium volume percentage remained the same.

The increase in the households receiving no third class mail were:

- non-white households
- age of head of household 34 or less
- less than 25 age group
- less than high school graduate
- low family income groups
- city households

The decreased high volume households were:

- non-white households
- age of head of household 35-54
- education level of some college
- households with income levels of $10,000 or more.

The receiving household reaction to third class mail, for those getting two or more pieces, was at the same favorable level in 1974 compared to 1972.

	1974	1972
Favorable	36%	39%
Unfavorable	14	16
All others*	50	45

*Received no third class or only one piece.

4

Research and Testing

by

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WHY RESEARCH AND TESTING?

The theme of direct marketing has been aptly stated as test-test-test. And for years direct marketers have successfully launched new products, markets and offers by creating a test mailing package, and then mailing it to "see-how-it-does." If the results are favorable, they would go ahead and launch into a campaign, and if not, then they return to the drawing boards to design another test. For this reason, the bulk of direct marketers assumed that they have been utilizing market "research" all along. However, they may have been using "testing," but they have not been using market research.

This is because a lot of "market-testers" do not even use statistically valid sample sizes in their tests, they do not know why the consumer rejected or accepted their product, nor can they really say what need is being satisfied by their product and whether or not their advertising is successfully appealing to that need. They fail to use effective list segmentation testing and end up with non-optimal campaign offerings.

The cost of market research has been stated as the major obstacle to its regular inclusion into the marketers' product and advertising budget. Yet, it is not the cost so much as the cost-benefits that are not being adequately outlined to them, which hinders many marketers from not considering market research.

This article will point out the hows and the benefits of applying market research to direct marketing testing.

FIRST THE BENEFITS

- *Qualitative Research* — the opinion and "survey-side" of market research is designed to explain:
  - — *Why* someone bought or didn't? or Why didn't they re-buy?
  - — *What* was the "key" feature or features of the product that made the sale?
  - — *What* features of the marketing offer aided or hindered the sale?
  - — *Were* the advertisements' headlines, graphics, "key-points" the right ones to stress? *Are* there other more powerful copy points?
  - — *If* the product were changed, which aspects should be changed and how?
  - — *Who* is buying the product and is that market growing or shrinking?
  - — *Of* several new ideas, which one(s) would be most likely to be successful in the marketplace and which ones wouldn't?
  - — *Is* your advertising keeping up with your marketing changing perceptions?

In short, qualitative research is designed to provide the why's and reasons for the consumer's behavior. It should point out problems, identify opportunities and avoid failures when properly applied. All in all, it should prove to be very cost-effective and save much more money than it costs.

It should be the first step in the research process; then followed by quantitative or "testing" research to specify the exact profitability of the product.

- *Quantitative Research* is the "numbers-side" of market research, and is designed to determine:
  - — *How* many sales were there?
  - — *What* was the average dollar sale?
  - — *Which* version was bought and by how many?
  - — *Who* in the mailing list, which list, which mail advertisement, which magazine and, which TV advertisement, or which telemarketing program is most profitable?

Campaign decisions are made from the quantitative side of market research. This aspect should also point out the effectiveness of an immediate follow-up offer and to whom to offer it. In other words, while the test mailing is identifying whom to market to and not market to for an upcoming campaign, it should also determine who could be marketed to with a second campaign wave, which advertisement to offer for the second campaign, and whether a segment can profitably support a third or fourth campaign wave.

Then, by combining the quantitative and qualitative side of market research, the test mailing would point out the strengths and weaknesses of your present test mailing advertising, so that new advertising can be designed to take advantage of its current strengths and yet overcome its weaknesses . . . continuous chain of research events can assure an optimum level of profitability for any direct marketed product.

A. Uniqueness of Research and Testing in Direct Response Marketing

Direct response marketers have a most advantageous and unique medium for selling their products and services. Direct marketing advertising expense can be directly related to sales resulting from that advertising, and a resulting profit and loss analysis can determine if the advertising is "paying off."

Because of this direct relationship between advertising and sales, research can be designed to determine:

- Who is buying
- Who is not buying
- Why did they buy
- Why didn't someone buy
- What is most/least effective with the advertising
- What is most/least effective with the product and offer.

With radio, TV and most magazine advertising, there is not a direct, measurable relationship between the advertisement and the sale. Since a sale may take place days or weeks after a commercial runs, it is very difficult to precisely relate $1.00 of that advertising to $X.00 of product sales. As a result, it is more difficult to determine the cost-effectiveness of this advertising—whereas with direct response *the sale directly results from the ad*.

With direct response advertising, we can examine and study the non-buyers or non-respondents to a campaign. By comparing them to the buyers or respondents, we can identify facts that lead to action. For example, if 50% of buyers are females and only 30% of the mailing list (non-buyers mainly) are females, then we know that the product or service is quite attractive to females, and they should be mailed in future offers. Merely knowing that 50% of buyers are women (as with TV advertising) and nothing about the non-buyers (viewers of the ad) who were offered the product or service, we cannot develop an action for the future.

Because of these two unique facts:

- The direct relationship between advertising and sales and
- The ability to examine "non-buyers" or "non-respondents" to a direct response advertisement,

an entire world of traditional and new research techniques become available to the direct marketer in order to maximize and optimize advertising and profits. This chapter will outline the research techniques that are available and that have proven to be quite powerful in their applications to direct-marketed products and services.

B. Conducting Research — Do's and Don'ts

Good research and testing provides the information on which management decisions are based. Thus, it is a staff function—the intelligence function of management.

As such, it should be seen as a full-time operation rather than a part-time function, handled by someone "when they have time." The size of the function should depend upon the scale of the direct marketing operation. In terms of importance, the research operation should be viewed as vital as the treasurer-controller's or legal department's operation of a company. Research provides the intelligence needed by management to determine:

- Who to mail to
- What product/service should be mailed
- When to mail
- How many to mail
- What advertising to be mailed
- How to improve the advertising
- How to improve the product/service
- Opportunities for new products/services

—all to achieve a certain goal or achieve a given return on investment (ROI) for your company.

A challenge facing market researchers today is one of developing research techniques that are sufficiently relevant, practical, accurate and flexible to justify their application as marketing problems arise. Researchers must convince management that the research will, in fact, help to improve operations rather than become a cumbersome impediment to management.

The direct market researcher's task is twofold:

- Develop useful tools and avoid techniques for technique-sake
- Help management learn to recognize and utilize the contributions that research can make.

Most market research techniques have one thing in common, and that is their dependency on statistics. Without statistics, most direct response research would not exist. Thus, all researchers must pay attention to numerical data and the biases that affect it:

- Sample selection bias (too small and results are meaningless)
- Sample size bias: representativeness, randomness
- Collection of data bias: missing data, duplicate data
- External factors bias: holidays, vacation periods, major national or international events, weather
- Analysis of data bias: incorrect statistical tests
- Unintentional bias: false replies or responses
- Intentional bias: cheating
- Prejudice bias: proving your point

By controlling for these biases, the researcher's statistical results have the best chance for acceptance into management's decision-making process.

C. When to and When Not to Use Research

The answer to this question depends on the value of the decision facing the company. If the research cost cannot be cost-justified, then it is not worth doing and should not be done. For example, to test for the "best" combination of copy, graphics, layout and offer, one may need hundreds of test cells costing between $500,000 to $1,000,000 to test mail. If the projected profit is in the same range as the research cost, then you have not gained anything by the test. However, if a scaled-down test is designed, with ten cells costing $50,000 to $100,000 and profit in the $500,000 to $1,000,000 range, then the testing would be worthwhile.

In addition, certain tests require sample sizes of 50,000 to 75,000 and, if the list to be mailed is in the same range, then testing is not possible. If a decision has to be made in a time period less than the research time period, then again research and testing is not possible.

Moreover, inappropriate techniques can be used in evaluating whether or not to use research to solve a problem. Using surveys or focus groups to determine response rates for different advertising packages is totally inappropriate. To determine response rates, you need controlled samples and frequently very large samples—both of which are not practically possible or cost effective with focus groups and surveys. Also, using response rates to answer why a person bought or didn't is again inappropriate; here surveys and focus groups are needed.

Because of these technique limitations, carefully designed research testing is mandatory. Extensive communications between marketing management and researchers is necessary in order to achieve a workable test—give and take on both sides is needed. The researcher can't expect to be given free reign, and the marketer cannot expect to use research to answer every question that arises.

D. Bases for Testing: The Scientific Method

More than in any other advertising/distribution system, direct marketing lends itself to the use of the scientific method in solving problems.

No method of research and testing can entirely eliminate uncertainty, but the use of the scientific method, more than any other procedure, can minimize those aspects of uncertainty which result in lack of confidence in the information. By using the scientific method, the researcher helps eliminate the chance of making a wrong choice between alternative courses of action.

The scientific method emphasizes that the gathering, recording and analyzing of facts about marketing problems be done with care and accuracy; that imagination must be exerted to find relationships among facts; and that conclusions reached must be the same conclusions which other qualified individuals would reach from analyzing the same data. Merely gathering and tabulating the facts is not the scientific method, nor is it research.

Direct response marketing's direct relationship between sales and advertising makes for a perfect situation for employing the scientific method. Data can be collected and analyzed to determine who bought and why, without the researcher having to account for intervening activities of salesmen, shelf location, TV show content, or an outside event causing purchase in order to draw relationships between advertising and sales.

E. Hypotheses Testing

Market and business analysts realize that figures drawn from samples (response or sales rates), no matter how "scientifically" designed, are of little value unless their reliability is properly evaluated.

Testing a statistical hypothesis is essentially the evaluation of the significance of one or more sample values with respect to some general theory or hypothesis. Thus, the question of whether Kit A's 1.2% is different from Kit B's 1.5% can be stated as the following hypothesis:

Null Hypothesis:

There is no difference in the response rates between Kits A and B.

This is known as the null hypothesis. Once stated, the employment of the proper statistical tests can lead to acceptance of the null hypothesis or rejection of it.

The proper statistical test means selection of an appropriate standard-error formula, selection of confidence regions and confidence coefficients, the use of probability distribution tables, and the possible use of special tables to account for any distorting due to small sample sizes.

In using hypothesis-testing, two types of errors can be made:

- Type I errors—rejecting the hypothesis when it is true
- Type II errors—accepting the hypothesis when it is really false.

Direct marketers make more Type II errors than Type I errors. This is because sample sizes selected were usually too small, and, thus, what "looked" like a real difference between Kits A and B was not real and the wrong Kit was mailed. The marketer should have concluded that there was *no* difference in response rates between kits and made a decision on what kit to mail based on cost or other reasons and not on response.

The hypothesis testing is based on the formula:

$$Z = \frac{\text{Response Kit A} - \text{Response Kit B}}{\text{Estimated Standard Error of the Difference}}$$

Then one looks up the value of Z on a table (areas under the normal curve or table of Z) to determine if the difference between Kit A and Kit B is significant. Significant differences can be at the 90%-95% levels.

By scientifically designing the research, controlling for biases, and using proper sample sizes, the researcher can report marketing intelligence to management that is based on scientific grounds and, therefore, is reliable and useful in decision making. The equation for the standard error of the difference is:

$$\sqrt{\frac{P_1 \times Q_1}{N_1} + \frac{P_2 \times Q_2}{N_2}}$$

Where P_1 = Response Kit 1
$Q_1 = 1 - P_1$
P_2 = Response Kit 2
$Q_2 = 1 - P_2$
N_1 = Sample Size Kit 1
N_2 = Sample Size Kit 2

Therefore, using these equations, Z can be computed for any set of response rates, and statistically significant results reported as to which kits are "better" than others.

Example:

$P_1 = 1.2\%$ $P_2 = 1.5\%$
$N_1 = 30{,}000$ $N_2 = 130{,}000$

Null Hypothesis: P_1 is not different from P_2
: Significance level 95%

$$Z = \frac{.015 - .012}{\sqrt{\frac{.015\,(.985)}{30{,}000} + \frac{.012\,(.988)}{30{,}000}}}$$

$$Z = 3.18$$

Look up 3.18 on Z table and you get 99.7%; thus, the null hypothesis is rejected since there is a 99.7% probability that P_2 is greater than P_1, or only 3 times out of 1,000 would you expect that P_1 and P_2 would be the same.

Table of selected Z-values and their respective level of significance (sample sizes over 30).

Z=	Level of Significant Differences
1.04	70%
1.15	75%
1.28	80%
1.44	85%
1.64	90%
1.70	91%
1.75	92%
1.81	93%
1.88	94%
1.96	95%
Greater than 1.96	Over 95%

F-Ratio Test

There are times that you want to test the significance of the difference between two groups in which the sample sizes of one or both are in the 500 to 1,000 range. For example, for specific segments of test lists in performing a matchkey analysis. To do this, you calculate and use the same Z statistic as before and then you go on to a second test. This test is the F ratio test. And the joint rejection of the null hypothesis of both the Z test and the F test are needed to assure a statistically significant difference.

In the F test you use the data from the Z test and compute the F ratio as follows:

$$\text{F Ratio} = \frac{\sigma\frac{1}{2}}{\sigma\frac{2}{2}} = \frac{\frac{P_1 \times Q_1}{N_1}}{\frac{P_2 \times Q_2}{N_2}} \text{ or } \frac{\frac{P_2 \times Q_2}{N_2}}{\frac{P_2 \times Q_1}{N_1}}$$

(the larger standard deviation should be the numerator)

You then look up the resulting F ratio on a F table. The following table provides F values that must be exceeded by your F ratio in order to reject the F ratio null hypothesis that there is no difference in the standard deviation at the 95% level.

Sample Sizes for N_1 and N_2 (each)	Significant Points of the F Ratio for Sample Sizes at the 95% Level
100	1.59
200	1.39
500	1.24
1000	1.13
infinity	1.00

In the above example the F ratio is calculated as follows: (note: since the sample sizes are 30,000, it is not really necessary to perform the test, however, it is included here for illustration purposes).

$$F = \frac{\frac{.015(.985)}{30{,}000}}{\frac{.012(.988)}{30{,}000}} = 1.25$$

Since 30,000 is closer to infinity then to 1000, therefore, the F must be between 1.13 to 1.00. Since it does, we reject the null hypothesis that the two are not different.

This example can illustrate the importance of proper sample sizes. Let's say the samples were 5,000 and not 30,000 in both cases. If so, then Z becomes 1.30. Looking up 1.3 on the Z table, we get 80.6%; the null hypothesis is accepted, and we conclude that there is not a statistical difference between response rates. We see that there are about 200 times out of 1,000 when P_1 and P_2 are the same—much greater than 3 out of 1,000 when the sample sizes were 30,000 per cell. Thus, researchers conclude that there is no real difference.

The researcher must carefully design sample sizes for test cells so as to assure that neither *too few* nor *too many* names are mailed in any given test.

The equations below are used to determine sample sizes.

For single cell tests, when you want to determine what the response rate range will be for one kit to one list, use this equation:

Formula for Calculation (Probability Equation)

$$N = \frac{(R) * (1-R) * (C^2)}{E^2}$$

Where: R = Your estimated sales rate
E = Tolerable error in sales rate
C = Degree of certainty that sales rate is within error tolerance
N = Number of mailing pieces required

Example:

- Estimated sales rate: 0.40%
  R = 0.0040
- Tolerable error in sales Rate:
  ± 0.006% (15% difference)
  E = 0.0006
- Degree of certainty 95%
  C = 1.96

Result:

- Number of pieces required for that test:
  N = 42,514

For tests where you are going to test Kit A vs. Kit B, or List 1 vs. List 2, use *the multi-cell test equation*:

Formula for Calculation (Probability Equation)

$$N = \frac{(R_A)\,(1-R_A) + (R_B)\,(1-R_B) \quad *(C^2)}{(R_A-R_B)^2}$$

Where: R_A = Estimated sales rate for Cell A
R_B = Estimated sales rate for Cell B
C = Degree of certainty
N = Number of mailing pieces required for *each* cell

Example:

- Estimated sales rate for Cell A: 0.40%
  R_A = 0.0040
- Estimated sales rate for Cell B: 0.46%
  R_B = 0.0046 (15% better)
- Degree of certainty that estimated sales rates are different: 95%
  C = 1.96

Result:

- Number of pieces required for *each* cell tested:
  N = 91,375

These equations require that the marketer provide the acceptable degree of certainty and the projected response and tolerance error in sales rates for the tested kit(s). The researcher should then calculate the sample sizes and confer with the marketer about the results.

The Chart on page 48 is provided for use by marketers who are doing multi-cell tests and want to determine how many kits to mail per piece. The response rates for the "control" kit range from 0.10% to 1.00%, incremented by 0.05%. The tested kit is assumed to be 15% ± from the control kit. For example, if your control kit is projected to get 0.5%, then, if the test kit is 15% better than 0.05% or it gets 0.575% and you mailed 72,500 pieces per cell, you would be approximately 95% statistically confident that the test kit is statistically better than the control kit.

Therefore, if you initially determine what your control package rate of response will be (assuming it is between 0.1% and 1.0%) and are willing to let the tolerable error in your sales rate be ±15% (in other words, the test kit out-pulls the control kit by 15%), then you can use this chart. There are numerous other charts showing mail-out quantities for responses of greater than 1% and for tolerable errors of 1% to 50%. This is just one of those charts.

F. Model of Comprehensive Research and Testing Program

The flow chart on page 49 depicts a new product-service development and implementation guide for direct marketed products. The philosophy behind this model is that the consumer decides what products/services should enter the marketplace, not just the marketer.

Before the product development scheme is initiated, the program objectives are established by management, marketing and research, and the budget-scheduling parameters set. Once these have been set and approved, this scientific fact-finding mission is ready to determine the most successful products and product features for your company's product line.

1. Definitions

a. Pre-Consumer Activities

Review of past and present surveys from your company and industry sources; complaints from customers; resistance to sales; competitive activities; R&D department developments; consultant suggestions and recommendations; all with the objective of looking for positive and negative aspects of the proposed product/service.

b. Company Brainstorming

Staff and key suppliers brainstorming—including marketing, advertising, research, customer service, data processing, legal, controllers, R&D engineers, consultants, actuaries, finance managers, and the outside suppliers.

Remember the following rules:

1) Suspend all judgement/criticism
2) Promote free-wheeling atmosphere
3) Build up each idea
4) Remember that quantity of ideas is the only objective

c. Generate Ideas

The pre-consumer and brainstorming processes should have as their goal the generation of ideas to be tested: new products/services, new features for existing products/services, new markets, advertising, offers, whatever.

These ideas are now further developed by two groups:

1) *Prospective customers* — current direct response customers and/or prospects, to whom you want to sell your product or service.
2) *Other interested parties* — systems people, legal staff, customer service, manufacturing, shipping, outside consultants and advertising agencies.

Both of these groups are the subject of strategic workshops. For prospective customers, the process is more formal and rigorously controlled than for the "other-interested parties," but in both cases you follow approximately the same procedures.

d. Strategic Workshops

As input to these sessions, copy and rough layout must be prepared. This is a critical point in the overall activity and reason for having the ad agency creative people and/or marketing consultants take part in initial phases of strategic workshops.

Descriptive copy and corresponding layout for prospective customers to evaluate is prepared with careful attention paid not to overselling the product with "bells and whistles," but to simply describing the product features so that it is understandable to the average customer.

1) *Sessions Themselves:* Copy and layouts are taken to prospective customers in a focus group session.

   Several small groups of up to 12 persons are scientifically recruited for the groups and brought together to discuss and evaluate the concepts described in the ad copy.

   Two groups are held on the first night, 5:30 and 7:30 p.m. or 6:00 and 8:00 p.m. Careful attention is paid to positives and negatives common to both groups.

   A hint I found useful to help overcome any biases introduced by a dominant panelist is to have the moderator of the group ask the panelists to score the idea being evaluated on a scale of one to ten. The panelists would mark the copy being reviewed, and then when the discussion begins, asked to read their score and defend it. In this way, if one person is very negative, that negativeness can't change the other's scores and a more balanced review is maintained.

   Following the initial set of focus groups, another brainstorming/review session is held to incorporate the ideas generated by the participants. Copy and layouts are revised accordingly. Then the revised ad copy is taken to an additional set of groups for further evaluation and feedback.

   The additional product modifications uncovered in the second set of groups either confirm and support the revisions or lead to new modifications. This second set of groups is then followed by yet another recap and summary session.

   Additional groups are scheduled if necessary. Thus far, *qualitative* data has been collected on the proposed products and/or on the revisions.

2) *"Other Related" Workshops:* Like the consumer focus groups, the O. R. work-

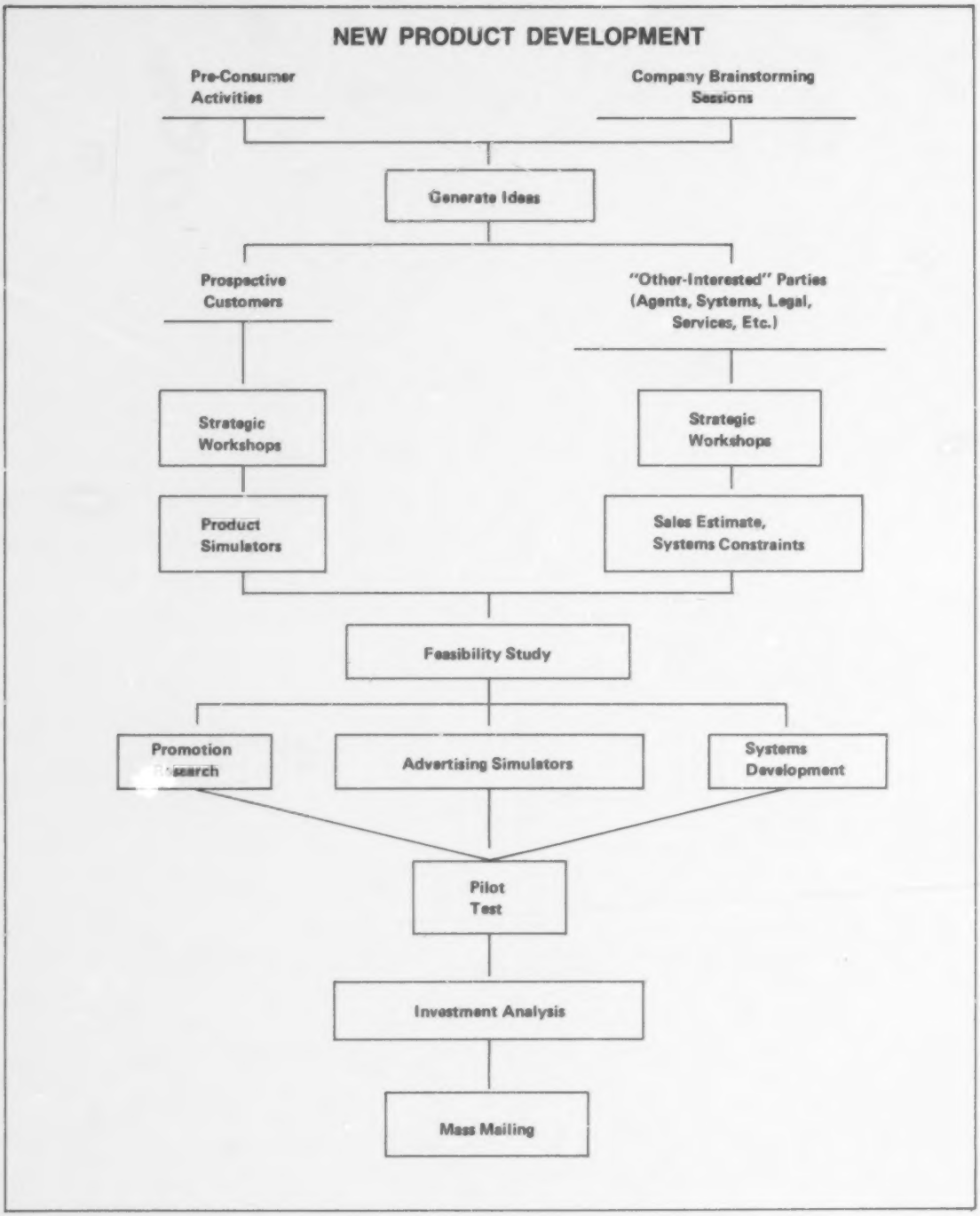
Chart 1

OUT-PULL YOUR CONTROL PACKAGE BY 15.0 PERCENT

TO DETERMINE HOW MANY PIECES TO MAIL OF EACH TEST PACKAGE AND FOR THE CONTROL PACKAGE, FIND YOUR ANTICIPATED CONTROL PACKAGE RESPONSE RATE, THEN READ DOWN THE COLUMN FOR THE PERCENT OF ACCURACY THAT MEETS YOUR NEEDS (USUALLY 90% & OVER) AND JUST READ ACROSS THE ROW TO OBTAIN THE NECESSARY MAIL-OUT QUANTITY FOR EACH PACKAGE. THIS QUANTITY WILL ASSURE 15.0 PERCENT GREATER ANTICIPATED TEST PACKAGE RATE WILL BE STATISTICALLY MEASURABLE GIVEN YOUR CHOOSEN LEVEL OF ACCURACY.

MAIL-OUT SAMPLE SIZE	CONTROL GROUP RESPONSE RATE IN PERCENT																		
	0.10%	0.15%	0.20%	0.25%	0.30%	0.35%	0.40%	0.45%	0.50%	0.55%	0.60%	0.65%	0.70%	0.75%	0.80%	0.85%	0.90%	0.95%	1.00%
	CONFIDENCE COEFFICIENTS																		
10000	25.0%	30.2%	34.6%	38.8%	42.4%	45.0%	47.6%	50.2%	52.8%	55.2%	57.0%	58.6%	60.4%	62.0%	63.6%	65.2%	66.6%	68.2%	69.2%
12500	28.6%	34.0%	38.8%	43.0%	46.4%	49.6%	52.8%	55.2%	58.2%	60.4%	62.0%	64.2%	66.2%	67.6%	69.2%	70.6%	72.4%	73.6%	74.4%
15000	30.2%	36.8%	42.4%	46.4%	50.2%	54.0%	57.0%	59.8%	62.0%	64.6%	66.6%	68.6%	70.6%	71.8%	73.6%	75.2%	76.4%	77.6%	78.8%
17500	32.4%	39.6%	45.0%	49.6%	54.0%	57.6%	60.4%	63.6%	65.6%	68.2%	70.6%	72.4%	74.0%	75.8%	77.2%	78.8%	80.2%	81.2%	82.6%
20000	34.6%	42.4%	47.6%	52.8%	57.0%	60.4%	63.6%	66.6%	69.2%	71.4%	73.6%	75.8%	77.2%	78.8%	80.2%	81.6%	82.8%	84.0%	85.2%
22500	36.8%	44.4%	50.2%	55.2%	59.8%	63.6%	66.6%	69.6%	71.8%	74.4%	76.4%	78.4%	79.8%	81.8%	82.8%	84.4%	85.4%	86.6%	87.6%
25000	38.8%	46.4%	52.8%	57.6%	62.0%	65.6%	69.2%	71.8%	74.4%	76.8%	78.8%	80.6%	82.2%	83.6%	85.2%	86.2%	87.6%	88.4%	89.4%
27500	40.2%	48.4%	54.6%	59.8%	64.6%	68.2%	71.4%	74.4%	76.8%	79.2%	80.0%	82.8%	84.4%	85.8%	87.0%	88.2%	89.2%	90.2%	91.0%
30000	42.4%	50.2%	57.0%	62.0%	66.6%	70.6%	73.6%	76.4%	78.8%	80.8%	82.8%	84.6%	86.0%	87.6%	88.8%	89.8%	90.6%	91.6%	92.4%
32500	43.8%	52.2%	58.6%	64.2%	68.6%	72.4%	75.2%	78.4%	80.6%	82.8%	84.6%	86.2%	87.6%	89.0%	90.0%	91.0%	91.8%	92.8%	93.4%
35000	45.0%	54.0%	60.4%	65.6%	70.0%	74.0%	77.2%	79.8%	82.2%	84.4%	86.0%	87.6%	89.0%	90.2%	91.2%	92.2%	93.0%	93.8%	94.4%
37500	46.4%	55.2%	62.0%	67.6%	71.8%	75.8%	78.8%	81.6%	83.8%	85.8%	87.2%	89.0%	90.2%	91.4%	92.2%	93.2%	93.8%	94.6%	95.2%
40000	47.6%	57.0%	63.6%	69.2%	73.6%	77.2%	80.2%	82.8%	85.2%	87.0%	88.4%	90.0%	91.2%	92.2%	93.2%	94.0%	94.8%	95.4%	
42500	49.0%	58.2%	65.2%	70.6%	74.8%	78.8%	81.6%	84.0%	86.2%	88.0%	89.6%	91.0%	92.2%	93.2%	94.0%	94.8%	95.4%		
45000	50.2%	59.8%	66.6%	71.8%	76.4%	79.8%	82.8%	85.2%	87.2%	89.2%	90.6%	91.8%	93.0%	93.8%	94.6%	95.4%			
47500	51.6%	61.0%	67.6%	73.2%	77.6%	81.2%	84.0%	86.2%	88.4%	90.0%	91.0%	92.8%	93.8%	94.6%	95.4%				
50000	52.8%	62.0%	69.2%	74.4%	78.8%	82.2%	85.0%	87.2%	89.4%	91.0%	92.2%	93.4%	94.4%	95.2%					
52500	54.0%	63.0%	70.0%	75.8%	79.8%	83.2%	86.0%	88.2%	90.2%	91.8%	93.0%	94.0%	95.0%						
55000	54.6%	64.2%	71.4%	76.8%	80.8%	84.4%	87.0%	89.2%	91.0%	92.4%	93.6%	94.6%							
57500	55.8%	65.6%	72.4%	77.6%	81.8%	85.2%	87.8%	89.8%	91.6%	93.0%	94.2%	95.2%							
60000	57.0%	66.6%	73.6%	78.8%	82.8%	86.0%	88.4%	90.6%	92.2%	93.6%	94.6%								
62500	57.6%	67.6%	74.4%	79.8%	83.8%	86.8%	89.4%	91.2%	92.8%	94.2%	95.2%								
65000	58.6%	68.6%	75.2%	80.6%	84.6%	87.6%	90.0%	91.8%	93.4%	94.6%									
67500	59.8%	69.6%	76.2%	81.6%	85.2%	88.2%	90.6%	92.4%	93.8%	95.0%									
70000	60.4%	70.0%	77.2%	82.2%	86.0%	89.0%	91.2%	93.0%	94.2%										
72500	61.4%	71.0%	78.0%	82.8%	86.8%	89.6%	91.8%	93.4%	94.8%										
75000	62.0%	71.8%	78.8%	83.8%	87.2%	90.2%	92.2%	93.8%	95.2%										
77500	63.0%	72.8%	79.4%	84.4%	88.0%	90.6%	92.8%	94.2%											
80000	63.6%	73.6%	80.2%	85.0%	88.4%	91.2%	93.2%	94.6%											
82500	64.2%	74.0%	80.8%	85.8%	89.2%	91.8%	93.6%	95.0%											
85000	65.2%	74.8%	81.6%	86.2%	89.6%	92.0%	94.0%												
87500	65.6%	75.8%	82.2%	86.8%	90.2%	92.6%	94.2%												
90000	66.6%	76.2%	82.8%	87.2%	90.6%	92.8%	94.6%												
92500	67.2%	76.8%	83.4%	87.8%	91.0%	93.4%	95.0%												
95000	67.6%	77.6%	84.0%	88.2%	91.4%	93.6%													
97500	68.6%	78.0%	84.6%	88.8%	91.8%	94.0%													
100000	69.2%	78.8%	85.0%	89.2%	92.2%	94.2%													
102500	69.6%	79.2%	85.4%	89.6%	92.6%	94.6%													
105000	70.6%	79.8%	86.0%	90.0%	92.8%	95.0%													
107500	71.0%	80.6%	86.6%	90.4%	93.4%														
110000	71.4%	80.8%	86.8%	90.8%	93.6%														
112500	71.8%	81.2%	87.2%	91.2%	93.8%														
115000	72.4%	81.8%	87.8%	91.6%	94.2%														
117500	72.8%	82.2%	88.0%	91.8%	94.4%														
120000	73.0%	82.8%	88.4%	92.2%	94.6%														
122500	74.0%	83.2%	89.0%	92.6%															
125000	74.4%	83.8%	89.2%	92.8%															

95% OR GREATER


NEW PRODUCT DEVELOPMENT
Pre-Consumer Activities
Company Brainstorming Sessions
Generate Ideas
Prospective Customers
"Other-Interested" Parties (Agents, Systems, Legal, Services, Etc.)
Strategic Workshops
Strategic Workshops
Product Simulators
Sales Estimate, Systems Constraints
Feasibility Study
Promotion
Advertising Simulators
Systems Development
Pilot Test
Investment Analysis
Mass Mailing

shops are the forum to determine positives and negatives regarding the just focus-grouped new product. The workshops have as their objective the uncovering of any major problems or flaws that would prevent it from smoothly moving through the company's various departments.

Changes and revisions are then incorporated into the product.

If the changes are radical or major in nature, then further prospective customer workshops may be necessary.

The focus group-workshop findings are utilized to develop actual sales material which is "simulator-mailed" to prospective customers along with a simulator questionnaire.

e. Simulation

Through the simulator technique, market acceptance statistics (response and revenue figures) are generated for the proposed new product. In addition, consumer opinion data is collected so that further modifications to the product/offer can be made where necessary.

1) *Product Simulators:* Prior to actually offering a product in a live mailing test, a Simulator test is conducted. Typically, there are between three and 50 possible product/list combinations that come out of the workshops (this feature at this price vs. that feature at that price and so on). The real value of the product simulator is that it obtains vital answers to strategic product questions before a system has been developed to manufacture, sell and service the new product.

Prior to manufacturing, financing, inventorying, making computer system changes, and alerting competition, key statistics are generated to indicate the one or two *best* product versions.

A few of the key data items that should be collected are:

Response propensity (live mailing type data: sales rates, revenue per sale); demographics of buyers vs. non-buyers; reasons for buying/not buying; desirable payment modes and methods; product positioning, feature importance and believability; and systems support needed.

The simulator mailing is composed of:

Postcard notification that simulator will be sent; simulated ad copy, either: 2-color brochure and order card, or letter and order card, or complete ad package — letter, brochure and reply device, or print ad and coupon.

Simulator questionnaire: cover letter; key questions should be related to response and financial behavior; questions on product features, benefits, offer aspects, competitive activity and demographics.

Other Components:

Incentive pen (for respondent to keep)

Outer envelope

Business Reply Envelope

Mailing label

Sample size per cell: Typically 1,500 to 10,000 depending on list and objectives

2) *Sample Simulator Questions:*

a) What would be your reaction if you had received the enclosed offer in the mail? What would you do?

b) Which plan would you select if you were to apply for the product offered?

c) To help us clearly present the plan in future advertising, would you please use your own words and describe the product being offered?

d) Listed below are "features" of the product advertised. Please indicate how you feel about each one. (Circle one number after each "feature" depending on how you feel about it.)

e) For statistical purposes only, please answer each of the following questions: _____.

Careful analysis of the returned simulator survey is required in order to develop the above data. With trial and error, equations can be determined that result in predicting response to within 15% of the actual rate.

3) *Simulator Use*

The use of the simulator for solving direct marketers' needs is endless. All large and small product changes can now be analyzed and tested without having to actually offer the product for sale! This method can, therefore, be used to pick winners and most importantly avoid failures.

The simulator also helps identify why a mailing offer worked as it did, why it was successful or not, and how a company can change its direct mail advertising to develop better advertising packages.

f. Feasibility Study

The data provided by the workshops and simulators are then combined into a study analyzing the financial aspects of the new product offering.

At first (mid 1970s), simulator data provided only crude predictions of what mailing offer was best and which one was worst. But over time, this technique was refined to predict response rates, revenue per sale, and other financial data needed to perform an analysis to choose product X over product Y.

The feasibility study phase uses these statistics and generates basic pro-forma statements to pick the relatively best product from among those tested.

The simulator survey questions also lend support to product decisions — looking at image question results, demographics and the like. Also, "other related parties'" inputs are evaluated and a comprehensive feasibility report prepared.

At this stage a product can be rejected because of profit, distribution, legal, systems, and/or manufacturing problems, thus saving the company untold dollars.

A successful product can pass on to the next stages.

g. Promotion Research

If the direct market product will be supported by TV, radio, newspapers, or magazines, then traditional testing methods can be employed to design the best commercials or ads. Audience testing of TV commercials such as McCollum-Spielman can be employed to test rough commercials. Proposed magazine ads can be prepared and subjected to simulator testing as described under "advertising simulators."

h. System Development

During this stage, computer system modifications can be made based on the results of the product simulators.

Key systems data should be worked into the product simulators in order to evaluate and build optimal systems. For example, if a new insurance health product was tested, and it was determined that only six of the 15 offered health options were "bought" by the simulator buyers, then the system should be designed around the six, not all 15. Thus, savings in time and people in programming are realized.

i. Advertising Simulators

Like the product simulator, the advertising simulator is used to predict the best advertising without having to do a live mailing. Many varied and novel approaches can be tried to pick the one or two copy and layout combinations that produce the most "buyers." Live offers can be developed around these "winning" platforms.

The benefit: a hit and miss approach in live testing is avoided and copy direction is set for optimizing live results.

An advertising simulator is made up of actual advertising copy, art work, and reply devices (print "specimen" across the front to avoid liability for a sale), as well as the simulator questionnaire and cover letter, pre-announcement postcard, incentive pen, and business reply envelope.

j. Pilot Test Model

A pilot test or live test is a most crucial step. If designed wrong or biased in any way, the results become meaningless, not to speak of the loss of real expense dollars and future dollars.

It is during this stage that the scientific method becomes most valued. Using the statistics of hypothesis-testing and sample size determinations, a properly designed live test practically guarantees success for a product tested under this model.

Properly designed live tests call for the following:

Test grid
Sample size determination
List processing
Matchkey analysis
Buyer/non-buyer surveys

1) *Test Grid*

In order to determine if you are testing the right variables of the offer, list, and advertising, a test grid should be developed. For example, a grid to test two copy approaches (price and benefits), two lists (in-house and over 50 year olds) and an incentive vs. none would require the following grid:

		LISTS	
Incentive (1) / Not (0)		IN-HOUSE (1)	OVER 50 YEARS OLD (2)
COPY	Price (A)	1A0 / 1A1	2A0 / 2A1
	Benefits (B)	1B0 / 1B1	2B0 / 2B1

(Key: List, Copy, Incentive — 1A0 means in-house list, price, copy and no incentive)

Now, if someone suggests adding a third list, you can readily see that four more cells are needed. Also, if a grid was not drawn, it becomes much more complex to develop cell codes to "see" what is being tested. If something appears out of line, changes can be made and easily communicated to all parties.

2) *Sample Size Determination*
(See earlier discussion for details and how many to mail in each cell.)

Many times the cost to test all cells requires more dollars than are budgeted. What do you do? Here are some suggestions:

a) *Increase the budget.*

b) *Reduce the confidence range of your tests.* In other words, a "winner" must out-perform the other kits by an even larger margin and in effect, mail less per cell.

c) Carefully study the test grid to *"see" if all cells tested* are absolutely *necessary*.

d) *Collapse cells.* That is, instead of testing the incentive in our example as individual cells, mail half as many in the incentive cells. Then collapse over copy by adding up copy A+B + *no incentive* + list 1, and compare it to copy A+B + *incentive* + list 1, and do the same for list 2, then collapse over list with list 1 + 2 + no incentive + copy A vs. list 1 + 2 + incentive + copy B. If the "incentive" cells always have response rates statistically greater than "no incentive" cells, then apply the average incentive increase to the best "no incentive" cell in order to project its response rate when coupled with the incentive. Compare this response rate to the best cell with incentive (remember you mailed too few pieces for this cell to stand alone) and determine if they are statistically the same. If so, use the best "no incentive" cell response rate increased by the average due to an incentive as you projected before. (This method is not recommended if precise projections of test data are needed as it gives you a calculated response rate at best.)

e) *Test fewer cells.* Try the in-house list just on copy approaches or drop the incentive test.

3) *List Processing*
This aspect is your gold mine or salt pit. Too often we gloss over this stage and wind up missing the opportunity to guarantee some profitable mailing segments for a mass or roll out mailing.

List processing is the scientific development of an analysis file constructed during the selection of the test mailing list(s).

With all data coming off computer files, we have the opportunity and obligation to create as rich an analysis file as we possibly can. The analysis file is composed of the names and addresses and key codes of each person selected for the test, along with all your company's accounting information about each person mailing, direct response buyer information, gender information (Mr. = males, Mrs. and Miss and Ms. = females, or male names = males, females = females, initials = initials, misspelled

names = unknown), plus source of list or name information. In addition, if a merge/purge took place, retain the data on list 1 and 2 or 1 and 3 or 1 and 2 and 3, etc. as this is valuable analysis file data. Match test lists to other in-house and outside files and create powerful enhanced lists. Negotiate this data for a small charge during the test and then pay for it on the mass mailing. This benefits the list broker who will make more money on mass mailings than on potentially unprofitable test mailings.

This analysis file is now your gold mine. And the beauty of this approach is that you do not have to "guess" which are the better lists. Your analysis of your sales matched to the analysis file will *show you segments* on your list(s) that are responding at profitable rates and point out *all* unprofitable segments.

This targeting process works on lists of 20,000, 50,000, 1 million and 25 million. In fact, if your list is 20,000 to 80,000, and you mail everyone your offer (in other words, no testing), you can still perform a matchkey analysis and should still create the analysis file during the list processing stage. Treat your 20K mailing as your initial test to determine profitable segments for an immediate re-mailing. In this way, the original or initial mailing gives you "full" research data for your second, targeted re-mailing.

The analysis file data should include such specific items as:

Match code for matching sales to analysis file; date of last sale; original date a customer was entered on the file; dollar amount of purchases; number of purchases; current balance owed; product(s) bought; gender; other lists matched; and data from other lists matched.

4) *Matchkey Analysis*

The key tool for direct marketers is the matchkey analysis. Having properly handled the list processing aspect, elimination of bias, and use of proper sized samples, we can match sales (using the matchkey on the analysis file and the same key on the sales reply device) to the analysis file. A credit card account number can be the matchkey. When such a number is not available, then a single sequence number can be used, or an alpha numeric match code made up of the prospect's name, address, and ZIP code can be used.

a) *The Analysis*

Once the sales have been computer-matched to the analysis file, analysis can begin. There are several approaches possible: Single variable frequency and then cross-tabulation of variables that appear to be key indicators of buyers. For example: See numbers 1 to 4 below—

Variable Dollar Balance Currently Due	Mailed	Sales	Percent Sales
$0	25,510	120	0.47%
$1 to $10	51,300	320	0.62
$11 to $25	43,180	330	0.78
$26 to $50	31,250	280	0.90
$51 to $100	28,310	300	1.08
Over $100	49,230	600	1.22
	228,780	1,950	0.85%

1. There appears to be a direct relationship between balance due and sales.

Gender First Name	Mailed	Sales	Percent Sales
Male name	137,270	1,480	1.08%
Female name	52,110	330	0.54
Initial (no first name)	25,380	90	0.35
Unknown name	14,020	50	0.36
	228,780	1,950	0.85%

2. There is statistical proof that males are the best buyers.
3. If we need 0.80% or more in order to break even, we might conclude that we should mail to males only to get the maximum list mailable. However, if you cross-tabulate female names with high balances (over $100) we might find another profitable segment.

Cross-Tabulation of Female Names and Balance Due

Variable Females	Mailed	Sales	Percent Sales
with balance:			
$11 to $100	15,185	41	0.27%
Over $100	22,220	200	0.90
	37,405	241	0.64%

4. Now, looking at female names with a balance over $100 we find their response rate to be 0.90%. A 90% confidence limit on that rate is 0.85% to 0.95%. Therefore, statistically we can add in this segment since the lowest projected response would still be above the 0.80% break-even rate.

   This approach to the analysis is both fast and cost-efficient. However, it does not guarantee that we have found every single good segment name. It is probably the best approach when there are not many variables that distinguish buyers from non-buyers and efficiency in time and expense are key objectives.

   When there are lots of variables and the "buying variables" (like balance due and gender) are not all that clear, then a multi-variate analysis might prove successful. This method calls for using an AID, multi-regression, clustering, or automatic partitioning computer program. There are limitations to some of these methods. Some assume that the data displays linear relationships only, which is not always the case. Others require you to group the data before the analysis into "binary" variables, i.e. male or not male, age 30-35 or not aged 30-35, bought before or did not buy before. These groupings may not correspond to actual buying behavior and then your analysis will not show all of your profitable and unprofitable segments.

   In addition, they can be much more expensive in actual execution and interpretation than a cross tabulation approach. Also, if you mail 200,000 or more during your test, they may require many 1,000's of dollars in just computer costs to analyze.

   Any of the methods, however, should lead to segments of prospects that statistically responded at or above your target response rate.

   Any number of customer data bases have become candidates for target marketing, but have not proved successful in isolating buyers from non-buyers. Many times the single reason is that the data about customers and customer lists in general are not composed of "clean" facts about the customer. Often times they are full of duplicates. Therefore, before a full scale matchkey analysis be undertaken, careful and meticulous effort should be taken to clean up the files. This clean-up can net out a profit by eliminating erroneous data, bad names, duplicate names, etc., and in the process, give your customer better service through cleaner transactions.

b) *Bonus Analyses*

The matchkey analysis technique can be most helpful in performing a special task—*determining the effect of a direct mail offer on agents, salesmen, or retail sales.* A perennial problem in direct marketing is determining whether a direct mail offer helps, hurts, or has no effect on other distribution sales (salesmen, agents, store retail sales). To answer the question, the researcher merely sets

up two samples: one of those mailed and an identical unmailed sample (called the control sample).

Then after the mailing takes place, computer match (by alpha numeric match code) all salesmen, agents, and/or retail credit customer sales to both samples that were posted after the mailing took place. In reporting the difference in matched sales between the two samples, you show what effect a mailing has on other distribution systems sales. If the mailed group's sales are higher than the non-mailed group, it would appear that the mailing boosted salesmen, agents and/or retail sales. And if the mail sales were profitable, your company has the best of both distribution systems. Of course, the opposite could occur and must be reported if so.

You should keep your analysis and buyer files around, so that you can perform *post mailing overlay analysis*. This analysis calls for taking outside files, census files, other in-house files and overlaying them on to your analysis and buyer files to "see" how your mailing's performance can be enhanced by the data on these "other lists." These overlap-analyses can prove to be both profitable and very revealing by identifying your buyers from non-buyers and giving you a "picture-profile" of them.

5) *Buyer/Non-Buyer Survey*

Questionnaires are sent out to both buyers and those receiving the mailing to ascertain qualitative and quantitative data about why the mailing worked as it did. At least 2,000 questionnaires are mailed per cell tested and all buyers are surveyed.

The questionnaire looks for answers to:

a) Was the mailing recalled, read and considered?

b) And how do these rates differ by kit tested?

c) Why did the reader reply or not reply to the offer?

d) What did the reader think of the product/services, offer, features, and advertising copy?

e) Was the advertising copy and offer believable?

f) How important were the product's features? Are the most important features also believable?

g) Demographics of buyers and non-buyers. And, who liked/disliked the various features of the product? Clues for improvement?

h) What are the readers' opinions of other products/services being offered or planned to be offered? (to get insights into cross-selling possibilities).

The non-buyer questionnaires are mailed out 10-15 days after the mailing itself is dropped and as buyers are received by the company. Any non-buyer questionnaires that indicate that the person bought are moved by the computer to the buyer group and so analyzed.

These surveys help management "understand" the sales process in terms of customer attitudes and opinions. The results are used to develop or modify new advertising to further maximize return on the direct mail investment and better describe your product to the customer.

It is often times found that by ranking buyers and non-buyers ratings of your product's features, and then comparing these rankings to their relative emphasis in your advertisement, that the "key" features are only mildly mentioned, where "soft" features are headlined. Using buyer/non-buyer surveys to realign your advertising, you can strengthen it, your product's image and your overall sales.

k. Investment Analysis

Using the sales and revenue data and target groups from the matchkey analysis, profit and loss projections can be developed and decisions made accordingly.

Assuming the pilot test was conducted correctly (the lists mailed were sampled properly, and the sample sizes were correct), then the resulting test sales statistics should accurately predict a mass mailing's potential.

l. Mass Mailing

This is the stage where all guesswork is

eliminated. You know your sales rates and projected total sales. The key functions here are the control and management of schedules and expenses to assure the most efficient and effective mass mailing.

And, there are other opportunities too. When you mass mail you might consider *side pocket tests* at the same time *to determine*:

1) If a slightly modified ad kit would outpull the mass mailed kit.
2) What the "fall off" factor is for re-mailing the kit a second time.

   Here you mail the "winning" kit's test cell names again to see how much the response drops or falls off. If it holds up, it might indicate that a second quick re-mailing of the mass mailed list would be profitable.
3) A new advertising kit, assuming you can develop one fast enough to mail it with the mass mailing. An argument can be made which states that once mailed, the best kit (your next test mailing's control kit) will always lose as it's been mailed to your list once already during the mass mailing. Therefore, a new or modified best kit should be the control on your next test mailing.

The key aspect of success for the test-to-mass mailing is timing. The targets discovered in a test mailing will not hold up very long. A rule to follow is: pull the test list in month 1, test mail by month 3, analyze by month 5, pull the mass mailing list in month 5, and mass mail by month 7. Extending this model only causes the targeting segments to deteriorate and results in less accurate projected sales.

G. Special Considerations

1. Skills of a Direct Response Researcher

The researcher should:

- Be an observant and effective communicator
- Be knowledgeable of how a sale is made
- Have extensive product knowledge
- Be logical and plan the research with management
- Execute the sample selection
- Possess knowledge of statistics
- Be knowledgeable of computer systems
- Have a fairly good understanding of computer programming and usage
- Be able to draft questionnaires, coordinate focus groups and develop the main analytical line for analysis.
- Be creative and go beyond the task outlined.
- Be outgoing, a team player and capable of taking responsibility for completing the job on time.

2. Access to Data Processing Facilities

More and more, the 1980s will see direct marketers and computer programmers and systems analysts become more interdependent.

Marketers will have to become very familiar with D.P., and programmers and systems analysts working in direct marketing will have to learn direct marketing techniques, strategies, and axioms.

Test mailing requires thorough knowledge of data processing in order to assure that you get both maximum potential from the list (maximum number of names) and the necessary randomness (so that it will project out on a mass mailing).

To perform list processing and matchkey analysis, extensive access to a D.P. facility is needed. Most companies who are entering the direct marketing field have D.P. facilities for accounting purposes. These same computers can be used for direct marketing purposes. There are no rules of thumb as to the cost and size needed for D.P. facilities.

If you don't have access to D.P. equipment, there are numerous service bureaus available. You can probably save money by using them as processing centers and do the programming and analysis with in-house staff or through special consulting groups or direct marketing vendors who specialize in such programming. In this way, your staff or vendors become more and more familiar with your needs and need less time for subsequent mailings—thus saving you money.

For survey analysis, access is needed for professional coding and keypunching of the returned questionnaires. Again, either in-house staff or research consultants can be employed to analyze them. Computer programs such as SPSS (Statistical Package for the Social Sciences) and Surveyor are needed to analyze these questionnaires.

What about personal computers?

For many post mailing analyses, a P.C. can be an ideal machine to speed your analysis and provide you with a set of well documented charts of the test mailings' results. The spreadsheet programs are excellent for this, as you can program in financial breakeven equations. In addition, data base generators can be used to build files of buyers so that you can profile them. There are analysis programs available that can be used to perform survey tabulations and some matchkey, list segmentation analyses. Also, for limited numbers of customers, mailing list, invoice and accounts receivable programs are available. And, within the next few years, many more of these functions, for much larger customer bases, will be provided on a very cost-effective basis.

3. Dealing with List Brokers

Negotiating for reliable, accurate, and up-to-date data is most necessary. As mentioned earlier, the data associated with a name is your key to success or failure. If the data is unreliable, inaccurate, and if the test list does not randomly represent the universe, then your matchkey analysis will be useless.

In addition, any ad copy relying on the list to complement or fit the offer will have a disappointing result if the two don't match. An offer to young families, if the list is made up of grandparents *and* young families, will probably not be effective. To aid you in list negotiations, tell your broker that you plan to do a buyer/non-buyer survey on his list (along with the test).

Also, acquiring all the data available from the vendor about a name should lead to greater use of a vendor's list, not less. If the vendor is reluctant to give this to you, explain that you are combining many data sources to develop one data base to test and, therefore, need *all* available data associated with a name. If the vendor still refuses to give you all available data, it is best to skip that source or just test a small cell since you can't use it for much targeting, and it will have to be entirely successful (every name test-mailed is profitable) for you to use it.

Research Checklist

The following list comprises those elements of a new product test that if and when changed, should either become candidates for re-re-searching to determine whether or not the change will adversely effect your company and the new products' appeal and success, or identified as reasons why a researched product might not or did not perform as projected:

1. *Product Changes*
   a. Any price changes.
   b. Design/packaging changes.
   c. Changes in benefits/features of the product or service that satisfy the consumer's needs, i.e. the amount of insurance offered, the sizes and terms of loans offered, an assortment area of items offered in a catalog, material used in manufacturing, sizes and grades offered, taste, texture, colors, components, etc.
   d. Any instructions on use/assembly/application changes.
   e. Changes in compatibility with existing products/services.
   f. Reduction of plans or versions offered.
2. *Offer Changes*
   a. Terms of sale changes.
   b. Application questions or information changes.
   c. Warranty period and/or coverage areas.
   d. Examination period-money back period.
   e. Cancellation policy.
   f. Respond-by-dates changes.
3. *Advertising Changes*
   a. Almost any copy changes, i.e.
      — headlines, subheads, teaser copy, cover-letter, brochure, Q & A panels, testimonials, lift letter.
   b. Enrollment, application order form changes.
   c. New, additional legal disclaimers.
   d. Graphic-logos, color, charts, pictures, signatures, type style, etc., changes.
   e. Was there a change in carrier envelopes.
4. *Lists/Markets Changes*
   a. Change in what is promotable, criteria used in pulling a list.
   b. New states, cities, regions.
   c. Timing of the offer-seasonability effects.
   d. Inability to eliminate duplicates, present customers, etc.
   e. Elimination of a target marketing analysis.
   f. Errors in selection processing.
   g. Different magazines/time slots on TV.
5. *Data Collection Changes*
   a. Changes in the method that sales are reported.
   b. Abnormalities in rejection of orders.

c. More damaged products reported.
d. Changes from a daily to weekly or monthly sales report.
e. New department collecting sales figures.
f. New computer programming to produce sales reports.
g. Were all damaged/destroyed advertising offers (mailers, inserts) equally spread among all mailed groups or was one group more heavily damaged than others.
h. Undeliverables higher than before.
i. Are there copies of all ads as they are run.

6. *Data Processing Changes*

a. New programs or programmers used to select names.
b. Were all reports prepared of who was selected and mailed—are they correct.
c. Are all computer tapes available and can they be re-run to be validated.
d. Were unlabeled tapes used.
e. Can programming flow charts be examined.

7. *Investment Analysis Changes*

a. Were there changes in return on investment guidelines.
b. Changes in costs of manufacturing, mailing, postage, etc.

8. *Environmental Changes*

a. A major political change.
b. Changes in tax laws.
c. Changes in federal regulations, guidelines.
d. An announcement by a government branch effecting your product and market—FDA for the foods industry.
e. Change in a magazines' or TV program's cotent.
f. Change in a co-op mailing or insert billing mix.
g. Major weather storms.

While this list is by no means comprehensive, it should point out major areas where a market researched product can go astray—some by interference of uncontrolled events, others by changes made, many times needlessly, as the product passes along on its way to the marketplace. A carefully researched product should tolerate very little changes or as changes do happen, be the subject of a quick re-survey to assure that the change is not going to affect the saleability of the product. Too many times a researched product is changed just before mailing or advertising only to become a disaster in the testing stage.

Research Control Forms

In order to manage the various research projects that are necessary, the following standard control forms can be utilized.

The times listed summarize many projects over a five year period. Of course some projects will have to be done sooner than those listed, and some will take much longer due to the idiosyncrasies of the project. But, on average, utilizing these schedules will allow all concerned parties enough time to adequately complete their activities.

This chapter is meant to give the direct marketer an outline or guide to follow in performing research and testing. There are many aspects of the mentioned research that need to be filled in by experience and by the research person, staff or consultant employed. A first-time direct marketer would do well to secure the services of a direct response research house to start the ball rolling. Then, as time progresses, take on activities and expand and tailor them to the marketer's particular needs.

Good luck.

BUYER/NON-BUYER ACTIVITY

PROJECT NAME: _____

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives — review prior research.	100 to 80	_____
2.	Establish Sample Selection Criteria.	90 to 75	_____
3.	Prepare Test Grid.	85 to 60	_____
4.	Project Proposal and Expense Estimate.	80 to 65	_____
5.	Issue Audit Request.	75 to 60	_____
6.	Notify Services of Drop Dates (for postage requisition).	70 to 60	_____
7.	Prepare Programming Requisition.	70 to 60	_____
8.	Obtain Mailing Tapes.	75 to 60	_____
9.	Provide Test File to D. P.	65 to 40	_____
10.	Prepare Tapes for "LIVE" Mailing and Labels for "SURVEY" thru D. P.	70 to 30	_____
11.	Procure Legally Approved Mailing Package Copy.	75 to 60	_____
12.	Print Mailing Package Components.	45 to 25	_____
13.	Printed Package to Mailing House.	25 to 20	_____
14.	Write Questionnaire.	60 to 45	_____
14a.	Approve Questionnaire.	45 to 40	_____
15.	Typeset Questionnaire.	40 to 30	_____
16.	Print Questionnaire.	30 to 10	_____
17.	Order Pens/BRE's/Outer Envelopes.	At 75	_____
18.	Delivery of Pens/BRE's/Outer Envelopes.	By 20	_____
19.	Ship Pens/BRE's/Outer Envelopes to Mailing House.	30 to 10	_____
20.	Provide Mailing House with Stuffing Instructions.	30 to 20	_____
21.	Have Mailing House Prepare Packages.	25 to 10	_____
22.	Drop "LIVE" OFFER-NONBUYER/BUYER.	10 to 0	_____
23.	Make 2 Copies of Each App for "MATCHKEY"	+1 to +30	_____
24.	"SALT KITS" Received — Drop Survey.	+1 to +11	_____
25.	Coding Instructions.	+9 to +16	_____
26.	Coding and Keypunching Returns.	+12 to +50	_____
27.	Write Computer Analysis Programs.	+14 to +60	_____
28.	Computer Runs.	+45 to +65	_____
29.	Prepare Charts and/or Presentation Materials.	+50 to +70	_____
30.	Make Presentation (if necessary).	+65 to +75	_____
31.	Write Report.	+68 to +78	_____
32.	Type and Revise Report.	+70 to +85	_____
33.	Xerox and Compile Report; Write Cover Letter.	+83 to +90	_____

MATCHKEY ANALYSIS ACTIVITY

PROJECT NAME: _____

Project Activity	Average Days to Target Date	Expected Completion Date
1. Establish Objectives.	170 to 150	_____
2. Project Proposal and Expense Estimate.	150 to 140	_____
3. Set Up Test Grid.	140 to 130	_____
4. Receipt of Tape Processing Instructions from H. O.	140 to 130	_____
5. Communicate/Coordinate: Obtain Master Tape (issue audit request) or Set Up Test Groups.	140 to 95	_____
6. Tape Processing Instructions to D. P.	135 to 130	_____
7. Files or Instructions to Field: Produce Mailer and Analysis Files or Test Groups or Keypunch Instructions to Mailing House.	135 to 80	_____
8. Prepare Test Packages at Mailing House.	130 to 70	_____
9. Tapes Ready for Testing and Sorting.	80 to 70	_____
10. Coding and Keypunching Instructions.	80 to 70	_____
11. Mailing Date. (1)	75 to 65	_____
12. Collect Response Data: Code and Keypunch.	75 to 30	_____
13. Match thru D. P. or Outside Vendor.	40 to 20	_____
14. Write Analysis Programs. (2)	25 to 15	_____
15. Computer Runs Due.	20 to 10	_____
16. Prepare Charts and/or Presentation Materials.	15 to 5	_____
17. VISIT research to determine target groups.	5 to 0	_____
18. Write Report.	0 to +15	_____
19. Type Report and Revise.	+10 to +20	_____
20. Xerox and Compile Report, Write Cover Letter.	+20 to +30	_____

(1) If MASS Mailing, add 10 days to TARGET DATE.

(2) Assumes prior program — if "brand new," add 20 days to TARGET DATE.

LIST PROCESSING ACTIVITY

PROJECT NAME: _____

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	110 to 90	_____
2.	Project Proposal and Expense Estimate.	90 to 85	_____
3.	Order Tapes from D. P./Vendors/Brokers	90 to 50	_____
4.	Alert your Tape Library of Tapes to be Received.	90 to 75	_____
5.	Tapes Arrive — Logged in and Checked.	70 to 50	_____
6.	Correct Tapes Requested — if necessary.	70 to 50	_____
7.	Correct Set of Tapes or D. P. facility.	65 to 45	_____
8.	Programming Request Written.	60 to 45	_____
9.	Modify Test Design Based on Realities. (e.g., review prior test results, etc.)	55 to 40	_____
10.	Data Processing Programs Written.	50 to 30	_____
11.	Test the Programs.	35 to 25	_____
12.	Modify Program Based on Realities. (e.g., revise random selection, etc.)	30 to 15	_____
13.	Produce Mailing and/or Analysis Tapes.	20 to 5	_____
14.	SORT COPIES AND SHIP TAPES.	15 to 0	_____
15.	Copy analysis tapes for matchkey use.	+1 to +5	_____

(1) Timing is applicable to Mass Mailing. If New Cardholders, only 20 days required.

SIMULATOR ACTIVITY

PROJECT NAME: _____

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives — review prior research.	90 to 70	_____
2.	Establish Sample Selection Criteria.	80 to 60	_____
3.	Prepare Test Grid.	75 to 60	_____
4.	Project Proposal and Expense Estimate.	70 to 50	_____
5.	Notify Services of Drop Dates (for postage requisition).	67 to 60	_____
6.	Prepare Programming Requisition.	65 to 55	_____
7.	Obtain In-house Tapes or Mailing Tapes.	65 to 45	_____
8.	Provide Test File to D. P.	55 to 48	_____
9.	Prepare Mailing Tapes or Survey Labels thru D. P.	45 to 10	_____
10.	Procure Legally Approved Mailing Package Copy.	65 to 45	_____
11.	Print Mailing Package Components.	35 to 15	_____
12.	Printed Package to Research Mailer.	15 to 10	_____
13.	Order Pens/BRE's/Outer Envelopes.	At 65	_____
14.	Delivery of Pens/BRE's/Outer Envelopes.	By 15	_____
15.	Ship Pens/BRE's/Outer Envelopes to Mailing House.	20 to 5	_____
16.	Write Post Card and Questionnaire.	45 to 30	_____
17.	Typeset Post Card and Questionnaire.	30 to 20	_____
18.	Print Post Cards and Questionnaires.	20 to 5	_____
19.	All Components to Mailing House with Stuffing Instructions.	15 to 5	_____
20.	Drop Date for Post Card.	At 5	_____
21.	DROP DATE FOR QUESTIONNAIRE.	On '0'	_____
22.	Coding Instructions.	10 to +5	_____
23.	Coding and Keypunching of Returns.	+8 to +30	_____
24.	Write and Test Computer Analysis Programs.	+10 to +30	_____
25.	Computer Runs.	+30 to +35	_____
26.	Prepare Charts and/or Presentation Materials.	+30 to +45	_____
27.	Make Presentation.	+45 to +55	_____
28.	Write Report.	+50 to +65	_____
29.	Type and Revise Report.	+55 to +70	_____
30.	Xerox and Compile Report; Write Cover Letter.	+65 to +70	_____

FOCUS GROUP ACTIVITY

(Workshops)

PROJECT NAME: _____

	Project Activity	Average Days to Target Date	Expected Completion Date
1.	Establish Objectives.	40 to 35	_____
2.	Establish Sample Selection Criteria.	38 to 34	_____
3.	Select Moderator — discuss requirements.	35 to 32	_____
4.	Project Proposal and Expense Estimate.	33 to 31	_____
5.	Approve Moderator Chosen Facility.	32 to 29	_____
6.	Arrange for Session Nights.	30 to 28	_____
7.	Arrange Travel for Observers.	29 to 27	_____
8.	Obtain Tapes to Draw Sample.	35 to 30	_____
9.	Prepare Programming Requisition.	34 to 31	_____
10.	Provide Test File.	32 to 30	_____
11.	Programming to Select Names and Prepare Labels (Lists).	31 to 21	_____
12.	Recruitment Agency Fills Groups.	21 to 1	_____
13.	Insure Groups Are Filled.	3 to 1	_____
14.	Design Moderator Outline.	35 to 20	_____
15.	Collect Materials for Groups.	24 to 1	_____
16.	Discussion with Moderator re: Outline, Sequence of Visuals, etc.	15 to 5	_____
17.	Conduct Focus Groups.	+1 to +4	_____
18.	DAILY DE-BRIEFING WITH MODERATOR AND OBSERVERS.	+1 to +5	_____
19.	Immediate Post-Group Summary.	+1 to +6	_____
20.	Moderator Listens to Tapes.	+5 to +8	_____
21.	Write Report.	+7 to +10	_____
22.	Type Report.	+9 to +11	_____
23.	Revise Report — Prepare Summary.	+10 to +12	_____
24.	Xerox and Compile Report; Write Cover Letter.	+12 to +15	_____
25.	Prepare Presentation Materials and Make Presentation (if necessary).	+14 to +20	_____

5

Markets: Changing Times

by

Rose Harper

The Kleid Company

Every business requires a market, a demand for its product or service. A market is a population group, an industry, a geographical unit—an audience—with the authority, ability and propensity to buy.

Market research is essential in order to provide the facts about a potential market which can be input into the decision making process. Market Research is the gathering and analysis of data relating to consumer preferences, purchasing power and needs.

Frequently, the terms Sales and Marketing are linked—but their potentials are quite different. Any product's *Market* Potential is the total of the potential of the product category: if toothpaste, for example, the Market Potential is everyone with teeth. *Sales* Potential, though, is the *share* of the total market that a product can reasonably hope to capture.

Analyzing and defining the *target* market is what marketing is all about—whether we're selling business-to-consumer or business-to-business. And we can only do it effectively if we keep on top of the changes—and trends—that influence our marketplace and organize a marketing strategy responsive to the changing market.

In the consumer market (not only direct response, but any business selling to consumers), the traditional backbone of market research is Demography.

Demography is the statistical study of human populations, especially with reference to size, density, distribution and other external statistics. With this traditional approach, we profile our potential customers in terms of sex, age, marital status, family size, education, income, occupation, home ownership, etc.—based on the predominating characteristics of the "unit" under study. As technology developed, the geographical unit under study was redefined to cover smaller units such as census tracts or block groups. The smaller the unit, obviously, the more precise the demography.

With mathematical techniques—such as regression analysis—it is possible to determine the special combination of demographic factors to be found in our ideal customer. Further, the total potential universe can be calculated by matching this profile against the demographics of the national population. Product development itself usually starts with a profile: determining that a profitable market *exists* and can be reached and sold on a cost-effective basis.

The most apparent gap in the use of demographics is the lack of psychographic information. *Psychographics* suggest that people should be segmented into their preferences—the way they live—thus adding a new dimension to marketing concepts. The situation is this: *where* people live, even how much money they may earn, does not matter as much as *how* they live. In the last 20 years (approximately), new societal trends and values have shaped a new society.

Attitudes have changed. Attitudes about mortality and authority have changed. More balanced lives are evident requirements: Interest in health and physical well-being, new forms of recreation, material success, *but* not at the expense of self-fulfillment and individual potential.

Markets today, then, can't be isolated by demographics alone. The profile must be extended to include psychographics in order to understand how lifestyles and attitudes define and segment our market.

Consider a few specifics:

First, the classic demographic categories: mar-

ried, single, households. Working women now account for nearly half the labor force. More than half of all married women work. While they still "household"-manage—they also "finance"-manage because of the incremental dollars contributed to overall family income. By 1990, it is estimated that only one out of four married women will be a full-time homemaker. Of the 11 million women who will enter the labor market during the decade, almost 8,000,000 will be married women with children. This makes a big difference in the mental picture of the "typical married woman."

Statistically, these facts, plus the fact that the number of "single men" in our population has been growing, have changed the traditional shopping rules. This gets us into the "share-the-chores" situation: both sexes involved in cooking, marketing and child care.

Tight times discourage waste. 34,000,000 U.S. households have home food gardens. These are the households which strongly believe in the conservation of resources, do their own home repairs, insulate their homes, are less inclined toward frivolous purchases—and influence whole new national attitudes.

"The Family" is still a basic institution, but there are far more variables in the picture today. And some deceptive statistics, too. "Family size"—the number of children in a "household"—is decreasing. But children themselves are *increasing*, because there are more women of child-bearing age in our marketplace than there used to be. The household itself is often just two people—or even one. By 1978, 53% of all households fell into this category.

Households headed by women were the fastest-growing family type in the 1970s. American families grew by 12%, but households maintained by women, with no husband present, increased 51% to 8,500,000. This dissolution of the traditional family was caused by separation, divorce, widowhood and the ability of women to establish independent families. Families maintained by men without wives increased by 33.6%.

In market analysis, shifts in the age distribution of the population can't be ignored.

- For the first time in history, as a result of the "baby boom" between 1946 and 1954, the majority of the U.S. population is past 30. At the same time, the undergraduate population in colleges and universities has reached the lowest point in about 22 years.
- People over 50, now called the *maturity market*, represent about 26% of the total population—56,000,000.
- More than half of total households (approximately 39,000,000) are headed by people over 45 years of age who control 60% of all discretionary income. They can buy what they *want* and not just what they *need*.

This trend has already begun toward a "class market" development in publications, products, packaging and advertising aimed at the older consumer—and the marketer's universe of the future will probably be better educated, better off, more experienced and more selective.

The *where* of the market is also changing. Demographically, the markets were profiled into urban, suburban and rural with a presumption of lifestyle homogeneity. But, there too, the currents of change have shifted the targets. The way of life today has been completely reshaped by the jet plane, sophisticated telephonic communications and data transmission facilities available to business. Corporations that once clustered in major cities are now scattered throughout the country. The business-to-business marketer no longer needs to locate where his customers do.

Urban populations are thinning. What used to be the distant exurbs are the growing residential areas, and the census tracts or ZIP areas, that used to be rural, now have executive homes where barns and pastures once were. Some states are struggling with industrial decline while others are trying to cope with the problems of industrial growth.

Population redistribution is an ongoing and flexible trend, and knowing where our market was last year is no guarantee that it will be in the same place next year.

Increasingly, psychographics and trends in our society have come to influence demographics themselves. It's worth noting that our government policy makers have become concerned in recent years that societal changes (life expectancy, geographical population shifts, age composition of the population, fertility rates, etc.) have an enormous impact on government policy and spending. And the government is the biggest "marketer" of all.

In recent years there has developed an acute awareness of the importance of target marketing through market segmentation. With an assist from the mathematical sciences, technology, the data processing capacity of computers, it is possible for direct marketing companies to add the ingredients of lifestyle and psychographic research in the analysis of marketing activity. This

could also lead to specific segment-directed promotional approaches. In an environment of rapidly changing values, this extra ingredient can lead to an increase in marketing productivity.

The pace of change in the economy, technology, demographics, psychographics, societal trends will accelerate in the 80s, impacting the market in a dramatic way. Today's markets have evolved from recent changes and tomorrow's markets are already being shaped by today's changes.

The *market* is a broad, inclusive thing. To find those potential customers, it is essential to pinpoint your market. Market planning forms the basis on which all other aspects of business planning depends.

A. Significant Demographic Trends

Numbers of people and households for the recent past and near future are shown in Figure 1. The trend toward small households is expected to continue. Therefore, the number of households is now growing at 2.2% each year despite less than one per cent growth in total population.

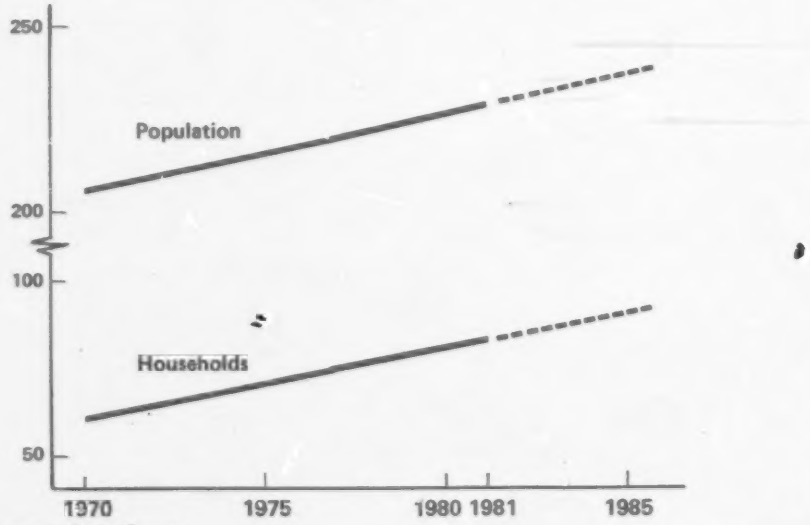
The trend of total population masks a substantial change among age groups which is already underway. Between 1975 and 1980, the number of children under 18 years actually declined by approximately three million. Meanwhile, the over-65 group increased by two million.

The labor force, illustrated in Figure 2, is another key indicator. It is growing at a 2% yearly rate but will be tapering off somewhat over the next few years. For many marketers the significant item is the increasing participation of women in the labor market who make up almost 40% of the work force.

Direct response is generally concentrated in the better educated segments. In Figure 3, we see the growth of college educated adults—an increase of 20 million in just 15 years.

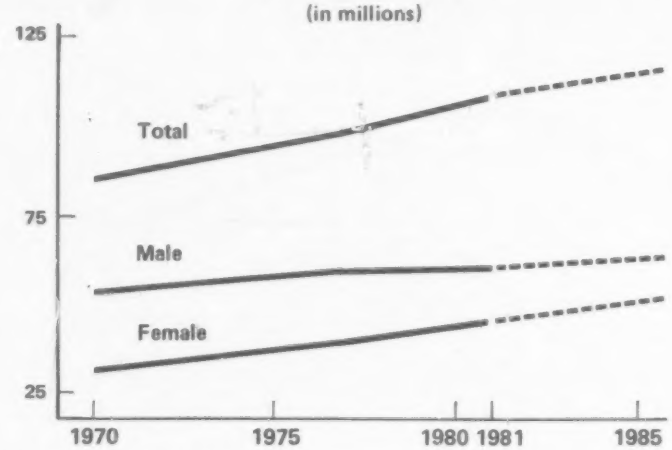
Figure 1. Population and Households

(in millions)



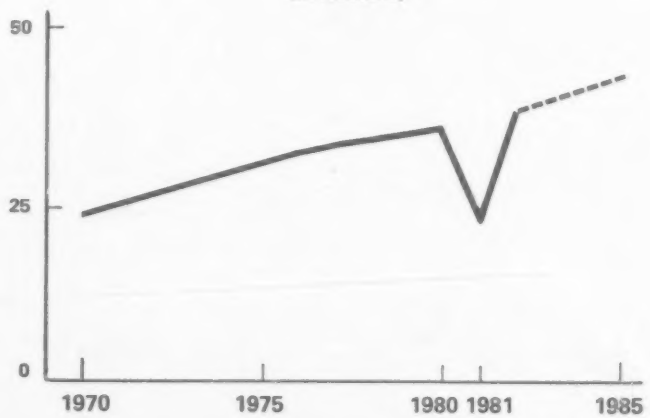
Source: U.S. Bureau of the Census

Figure 2. Labor Force
(in millions)



Source: U.S. Bureau of Labor Statistics

Figure 3. College Educated Adults
(in millions)



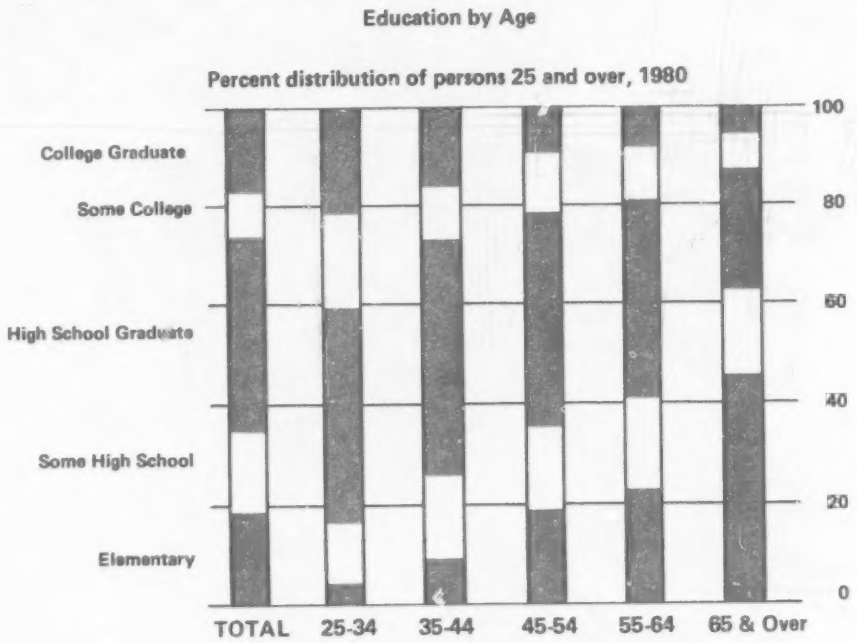
Source: U.S. Dept. of Health & Human Services

Income by age of household head

	Under 25	25-34	35-44	45-54	55-64	Over 64
Households (in millions)	6.4	19.2	14.5	12.7	12.7	16.9
Persons per household	2.23	2.94	3.66	3.26	2.32	1.72
Ave. household income	$14,227	$20,713	$26,052	$28,169	$23,504	$12,628
Distribution of households	7.8%	23.3%	17.6%	15.4%	15.4%	20.5%
Distribution of income	5.3%	22.9%	21.7%	20.6%	17.2%	12.3%

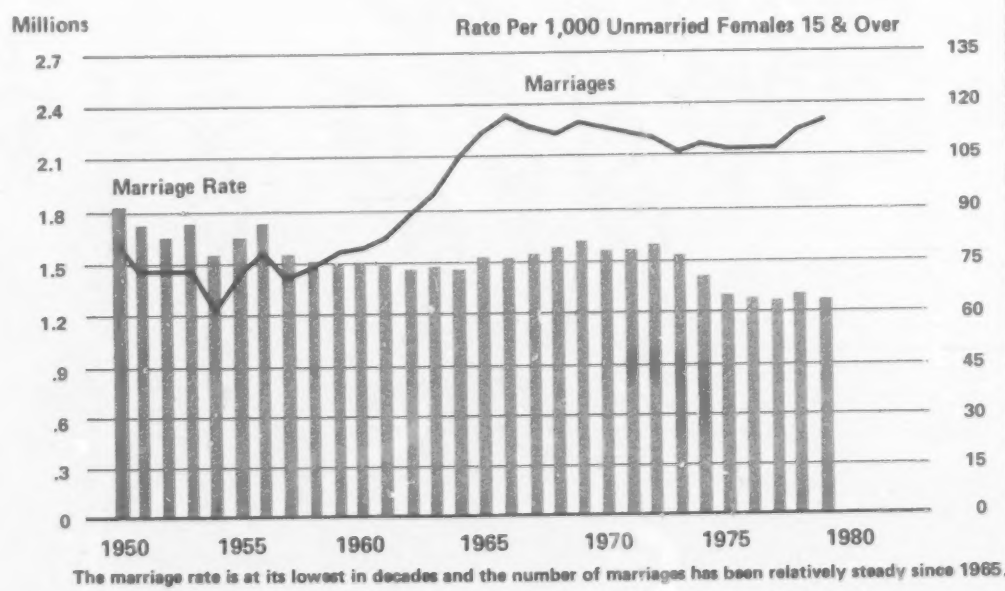
Source: Consumer Research Center of the Conference Board.

B. Statistics on Population, Families and Income Distribution



Younger people have generally received more education than older people, but the disparity is not as great as it once was.

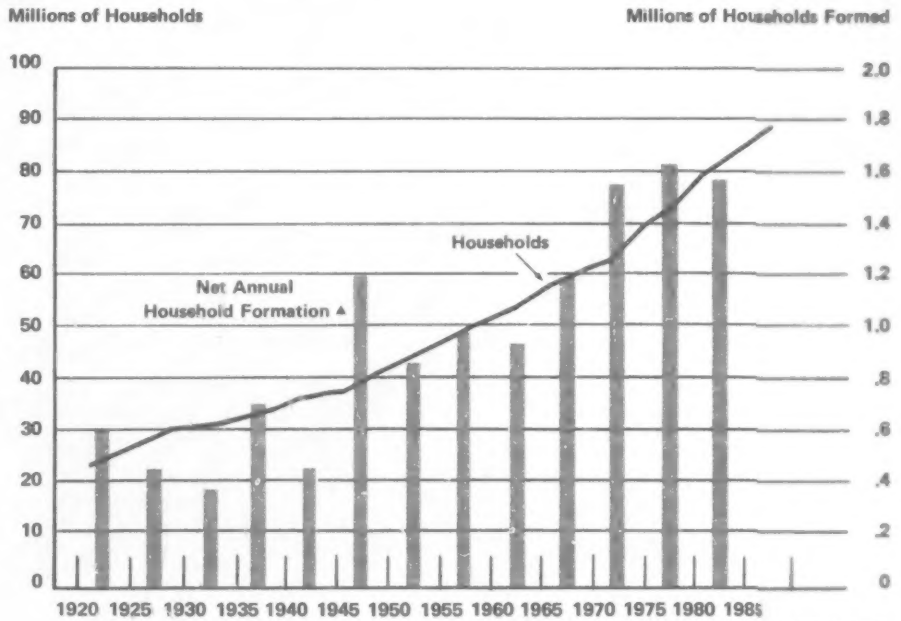
Source:
The Conference Board



The marriage rate is at its lowest in decades and the number of marriages has been relatively steady since 1965.

Source: U.S. Dept. of Health & Human Services

Households and Household Formation

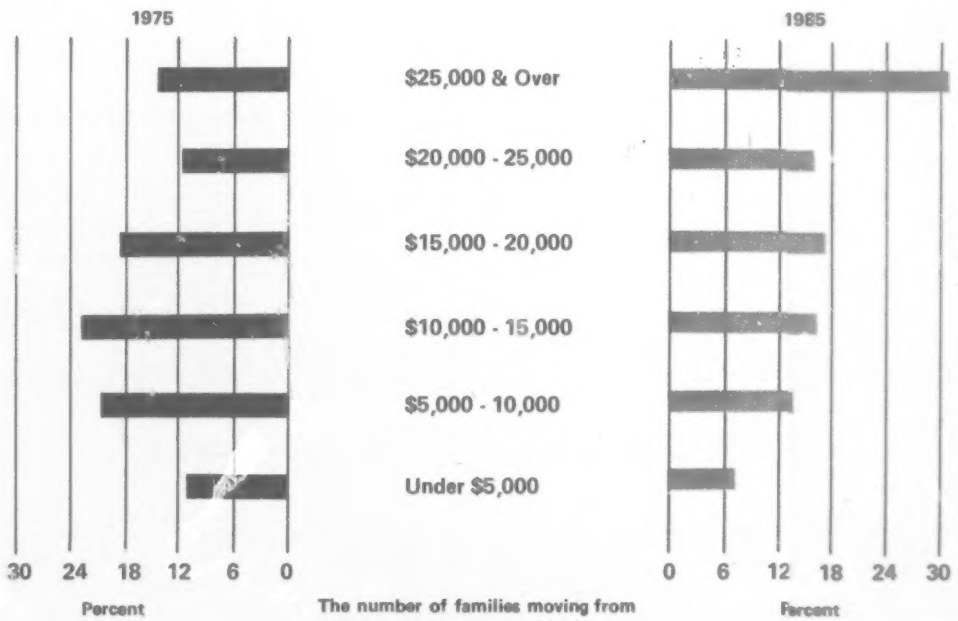


▲ Annual Average Based on Five-Year Period

While the rapid increase in household formation should stabilize in the 1980s, total households will continue to grow at 1.5 million annually.

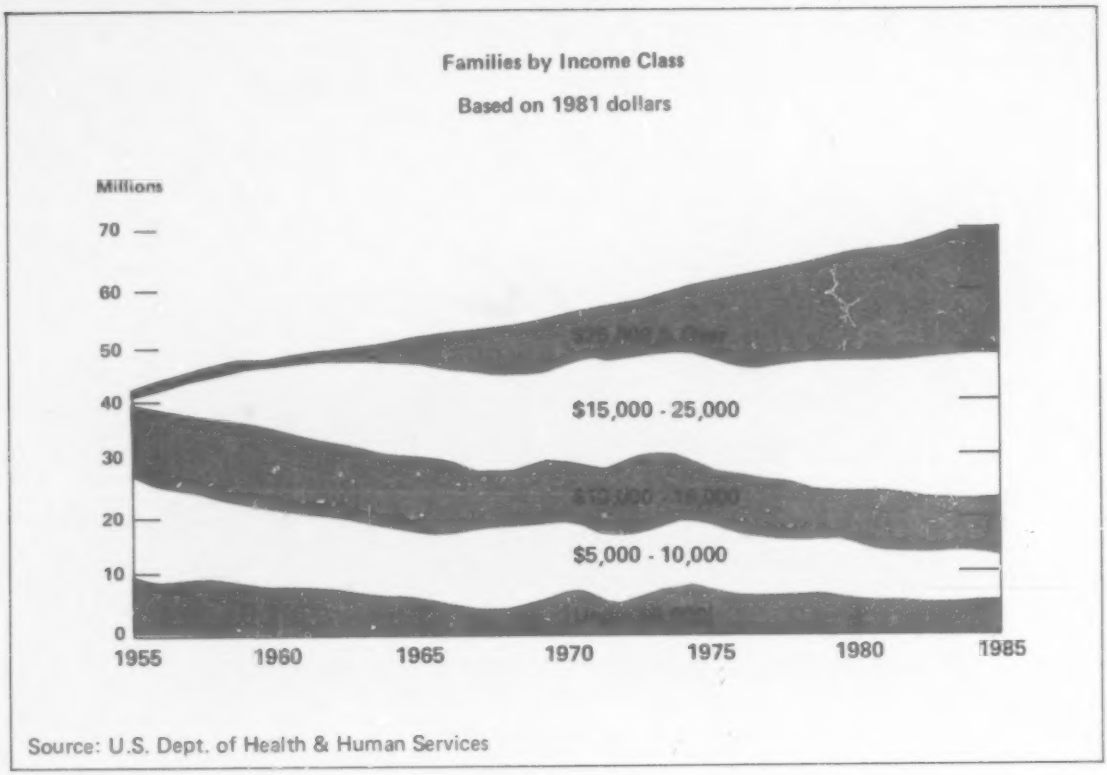
Source: U.S. Dept. of Health & Human Services

Families

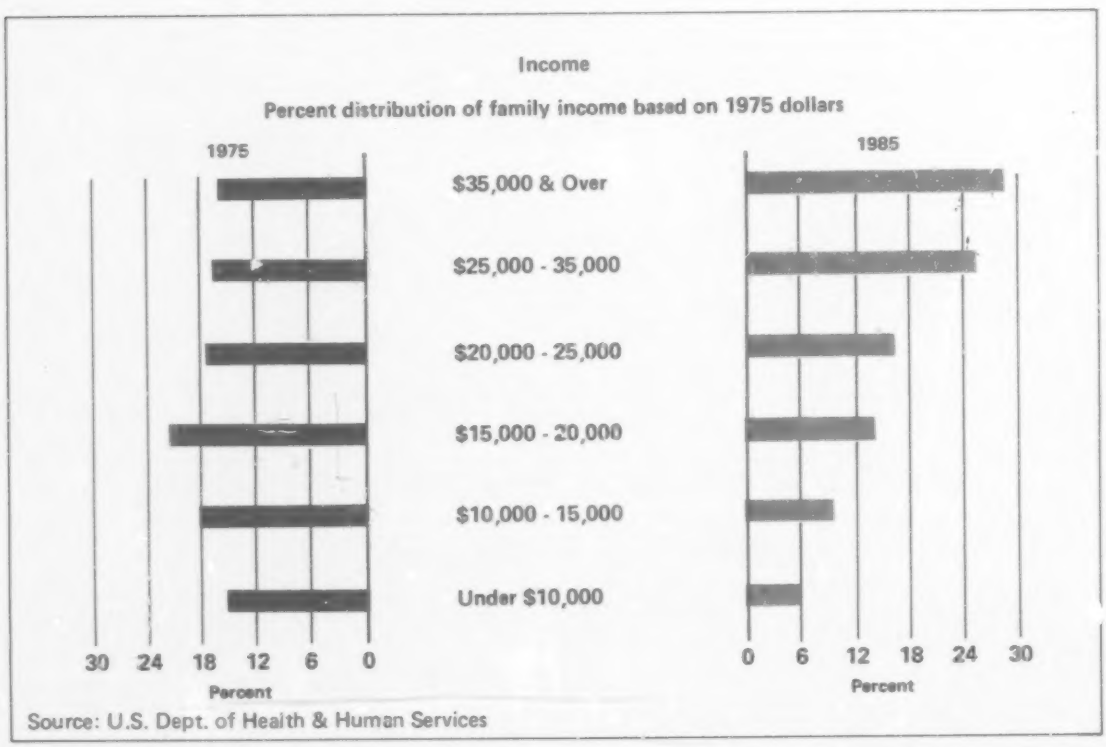


The number of families moving from middle to higher incomes is increasing faster than the number of families moving from low to middle incomes.

Source: The Conference Board



Source: U.S. Dept. of Health & Human Services



Source: U.S. Dept. of Health & Human Services

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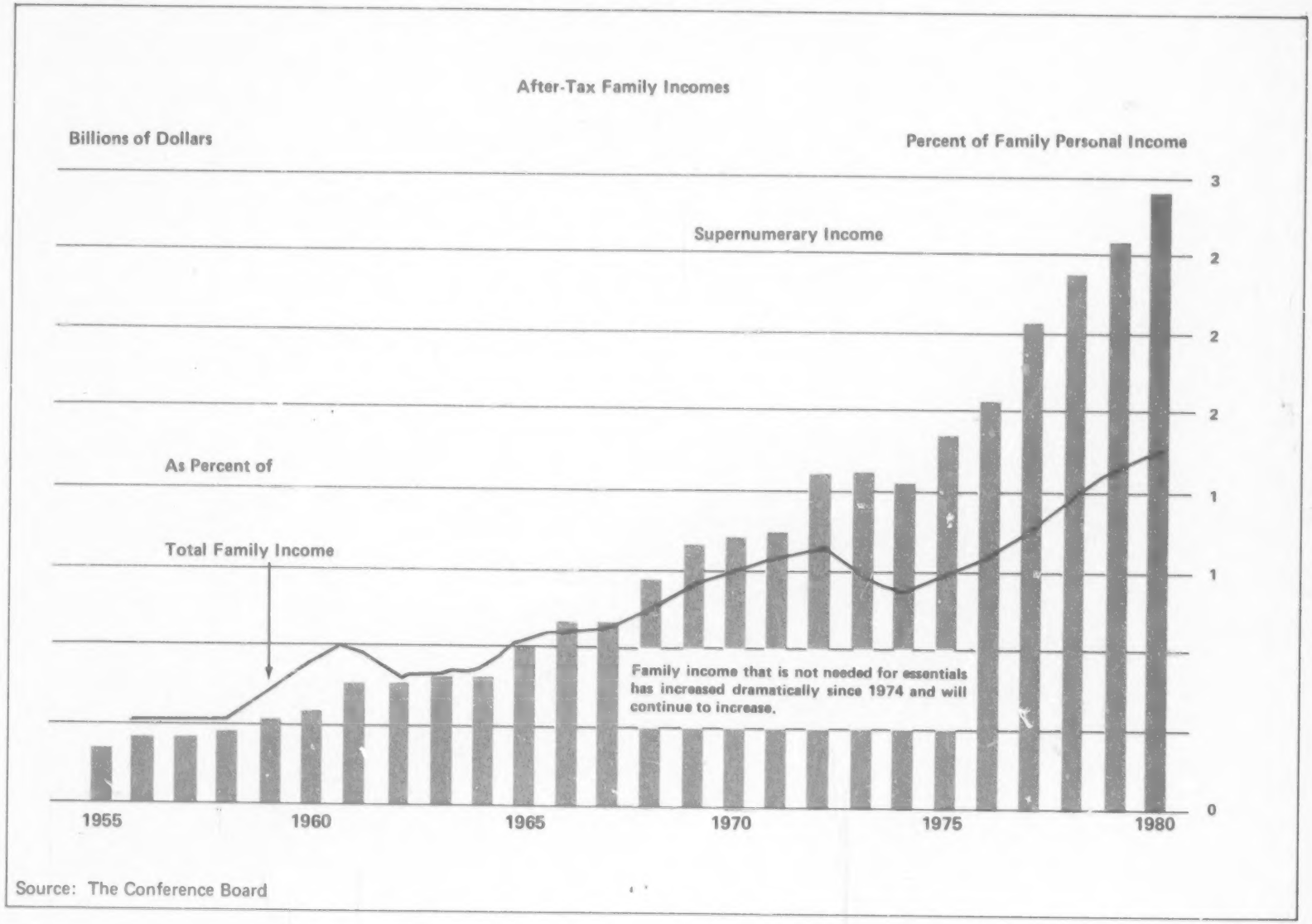
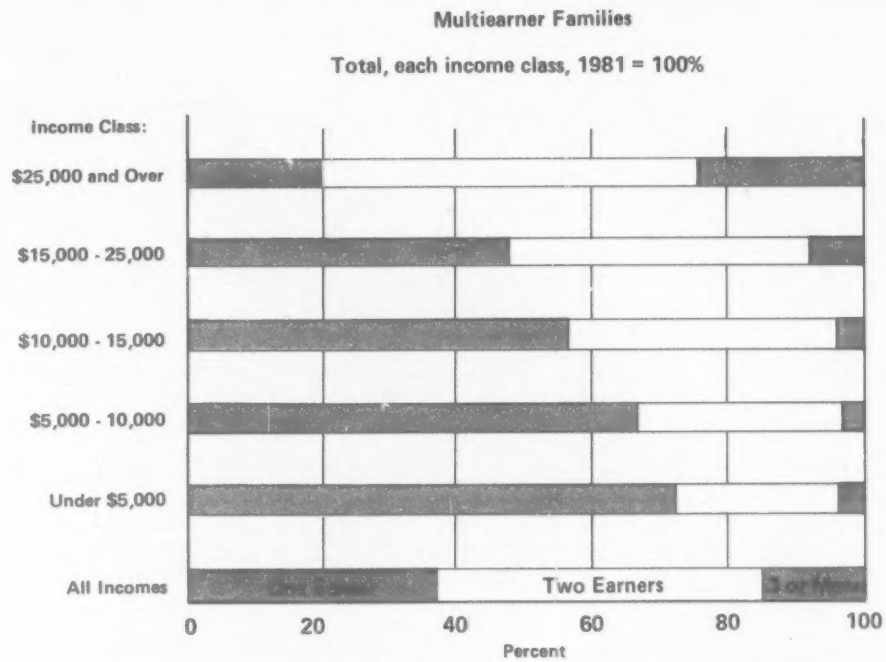
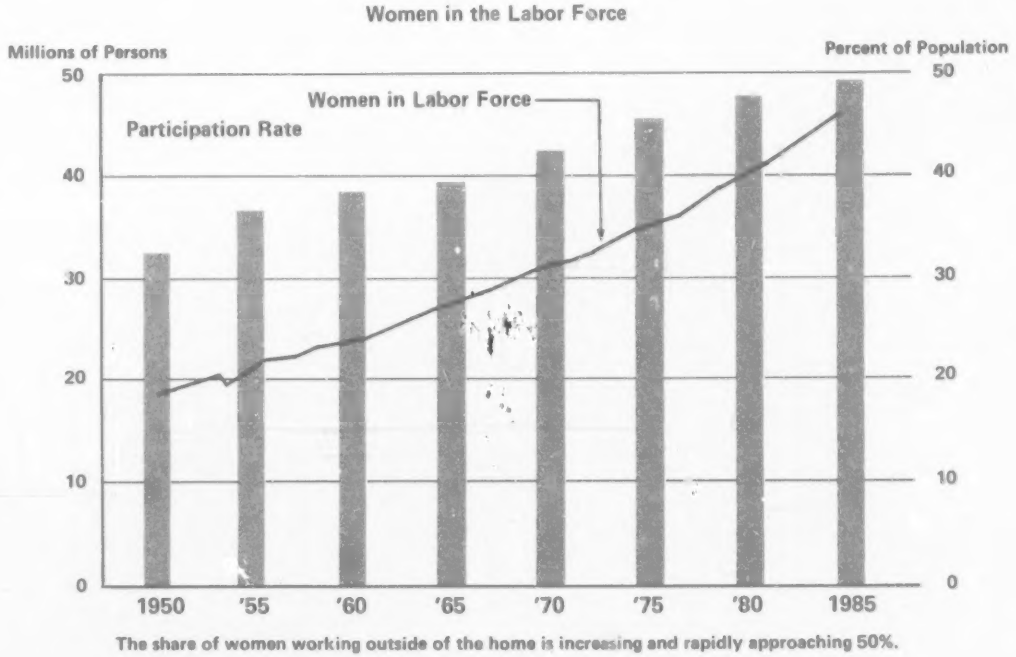


Source: The Conference Board



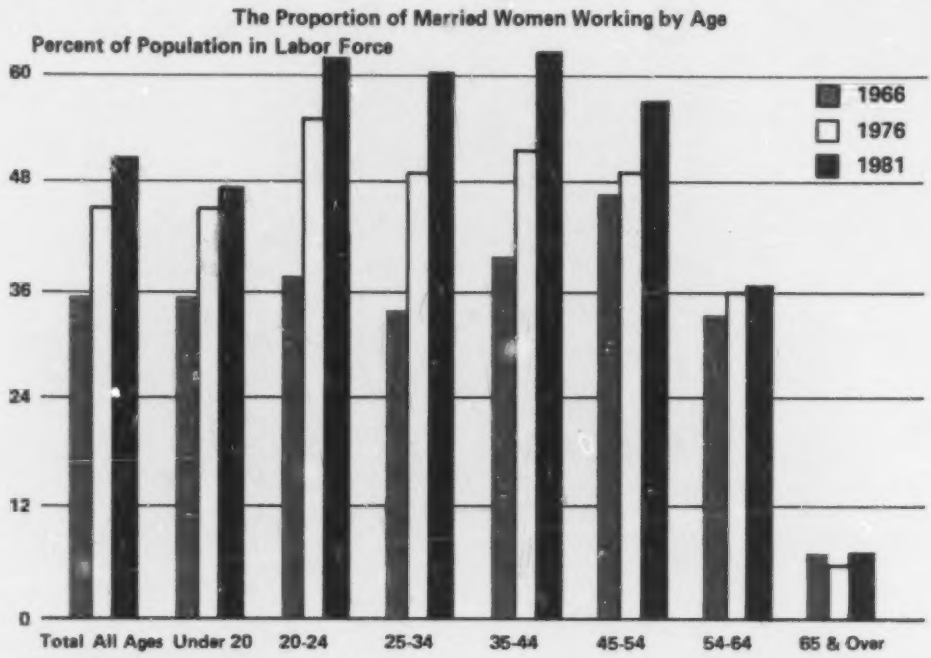
Multiple earners are primarily responsible for family incomes over $15,000 annually.

Source: U.S. Dept. of Health & Human Services



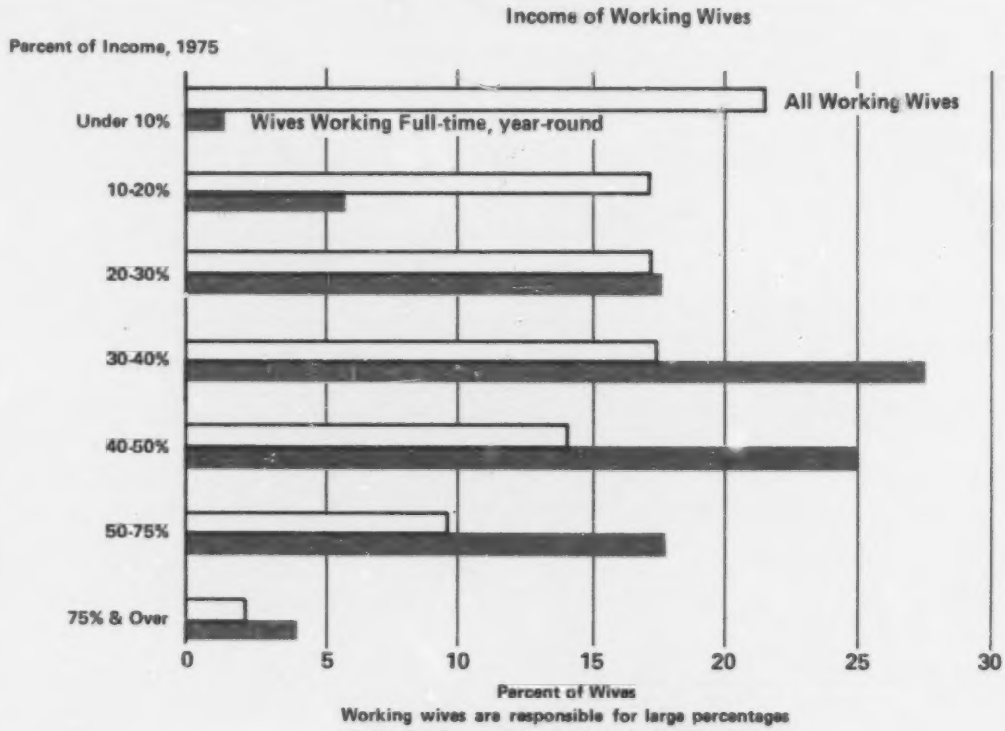
The share of women working outside of the home is increasing and rapidly approaching 50%.

Source: U.S. Bureau of Labor Statistics



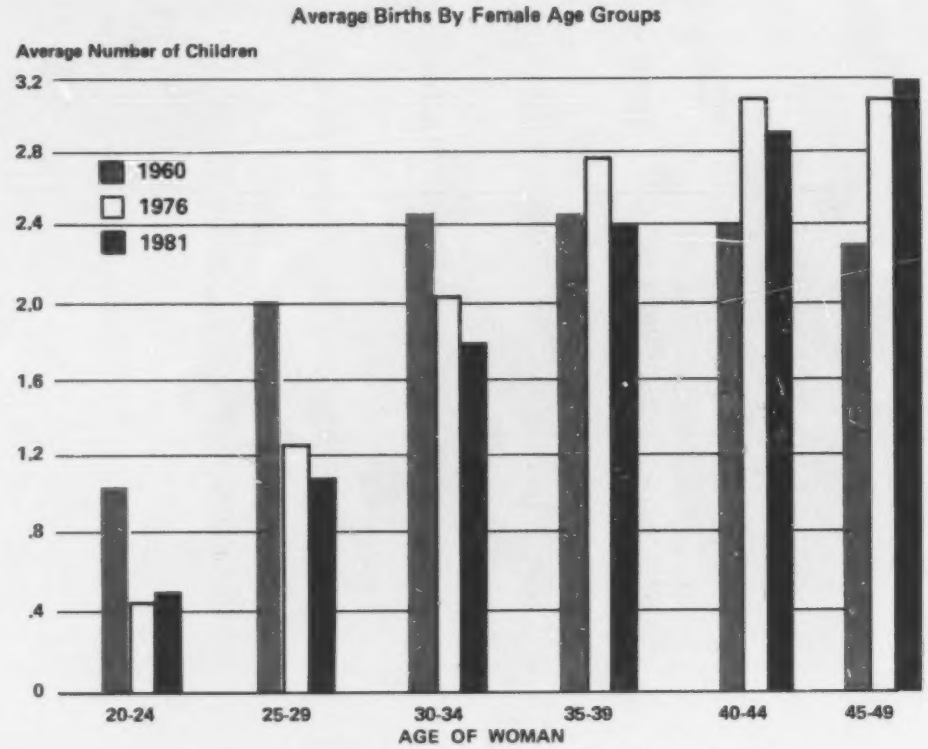
While more women of almost all ages are working, the greatest increases are for women 20-44.

Source: U.S. Bureau of Labor Statistics



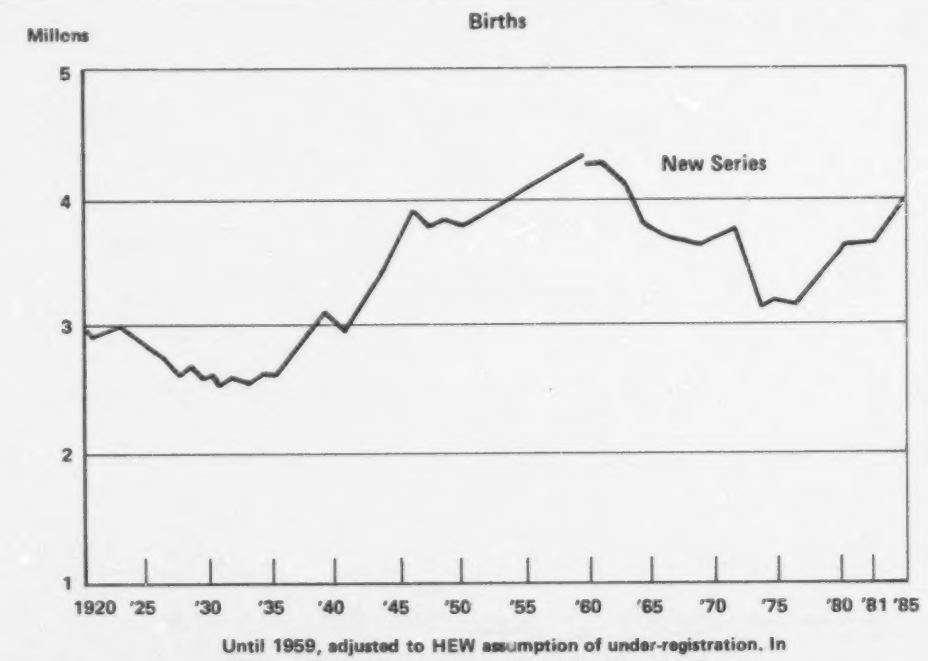
Working wives are responsible for large percentages of the family's income, with at least 50% of them contributing over 30% of the family's income.

Source: The Conference Board



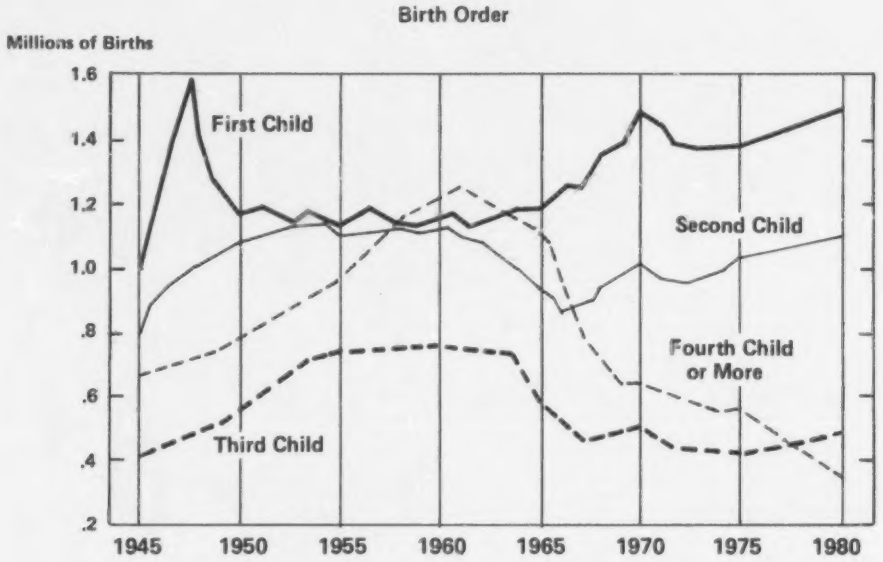
Women are postponing their families—having their children at a later age.

Source: U.S. Dept. of Health & Human Services



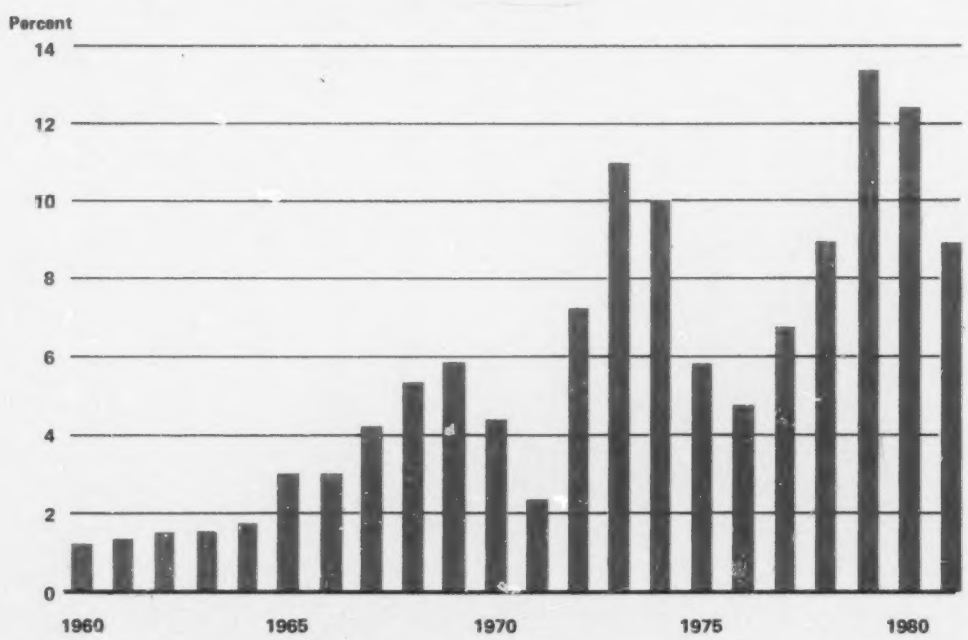
Until 1959, adjusted to HEW assumption of under-registration. In 1959, and succeeding years, not adjusted; registered births only.

Source: U.S. Dept. of Health & Human Services



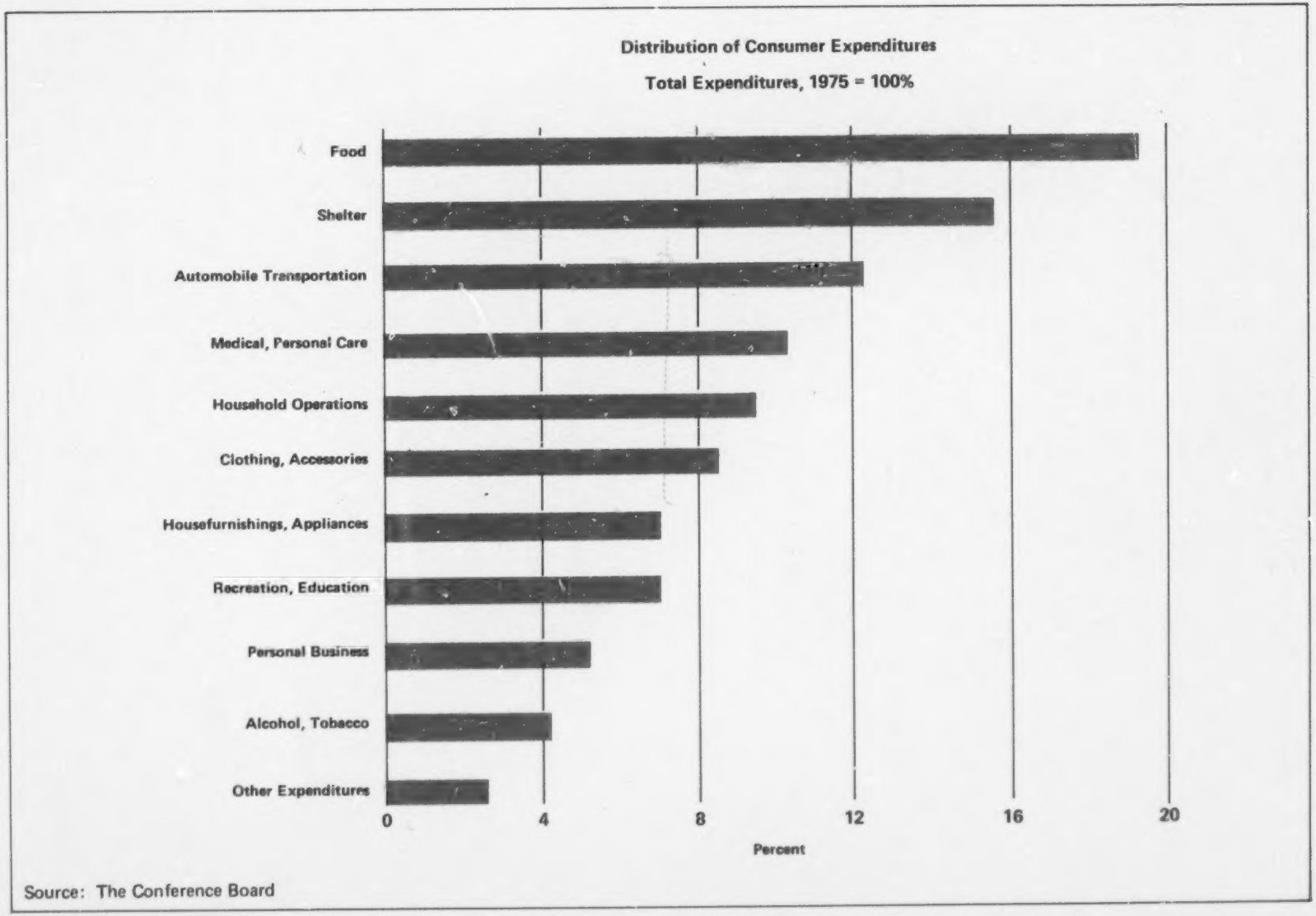
High order births (three or more children are declining), but first and second order births are more stable.

Source: U.S. Dept. of Health & Human Services



Since 1970, inflation has averaged 6.8%

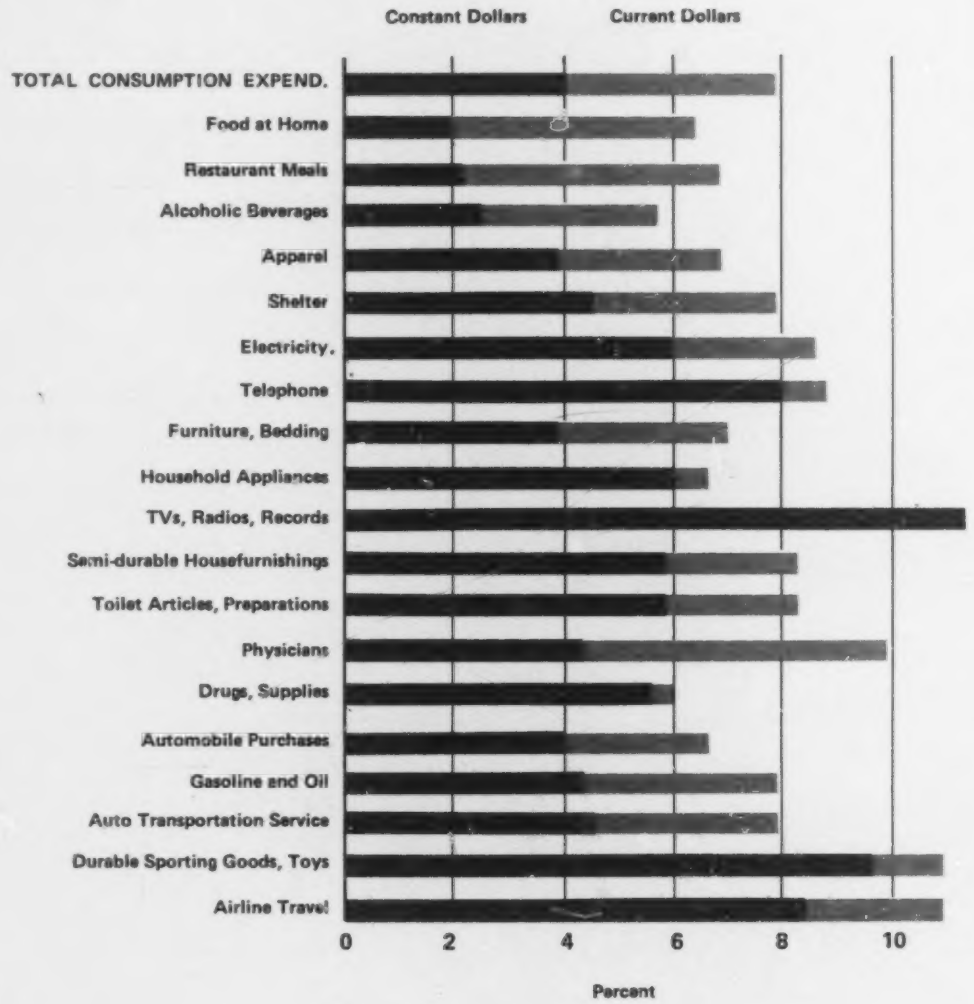
Source: U.S. Bureau of Labor Statistics



Source: The Conference Board

Growth Patterns in Consumer Spending

Average annual growth rates, 1960-75



Spending on leisure activities is increasing faster than other spending categories.

Source: The Conference Board

6

New Product Development

by

Paul Stewart

Time-Life Records, Inc.

Why do some companies develop successful products, and others fail?

If we knew all the answers, new product ventures wouldn't fail. To make matters worse, just when we think that we might know a *few* of the answers, someone inevitably comes along and finds a completely contradictory path to success.

New product development is—and probably always will be—an intriguing area of investigation, filled with risk, uncertainty, corporate politics and, in the case of success, substantial rewards. There are no formulas, just guidelines. And even these are beginning to crumble because the environment for new products is radically different from what it was only a few years ago.

First of all, the business climate is substantially changed. A May 1981 article in the *Washington Post* attributes part of this change to "the rise of the paper entrepreneurs," especially in large corporations. These are the new wave businessmen who are, sometimes, more interested in rearranging current assets in consideration of this year's bottom line—than in developing long-term marketing strategies and new products.

Since most or all of the money spent for new product development comes off the current year's bottom line and, in addition, may not pay off for two, three years or longer, executives involved in R&D work are sometimes finding it harder to get the needed money to finance the design, development and testing of new ideas.

The second front where the environment is rapidly changing is on the consumer side, where the turbulence is causing an equally tough fight for large and small companies. It doesn't take a professional economist to see that there is less discretionary income in the marketplace, or to realize that smart buyers are watching price and comparing the value of competitive products more than ever before.

It is, therefore, extremely important that the products you are developing are the products that the marketplace wants and needs. If possible, they should also be unique and exclusive or, at the very least, good values in relation to the competition. In today's market, a slick, high-powered promotion and lots of razzle dazzle is not going to save a weak product.

Put these two changing climates together, and it's easy to recognize the importance of having the right approach to new product development: the philosophy, the product, the marketing and promotion, and—most importantly—the *people* who are involved in each of these phases.

A. Attracting the Right People to Your Organization

New product development might begin with a good idea, but the idea isn't going to go anyplace unless you have *good people* behind it; people who can streamline and nurture the idea, and guide it over the long, often difficult road to success. Although the processes, philosophies, products and promotion styles may change from company to company, the need for good, independent people in the R&D area never changes.

The people you choose to involve in your new product development efforts—whether in the marketing, manufacturing, business or creative end—should not only be the very best people you have (or can get), but they must also possess that rare quality called entrepreneurial spirit.

You know what that is. It's that hard-to-find quality that so many companies claim to look for in a new employee, and then proceed to suppress by putting that person in a reward system that encourages conformity, regularity, patterned thinking and risk-avoidance.

In fact, this is exactly why many of the entrepreneurs that you need for your new product development program are not working for large or medium size companies. They are joining small businesses, or hanging out their own shingles, and in many cases becoming the Cinderella stories of the direct marketing industry.

The trick for larger marketers is to convince

those who might otherwise be out on their own, making a lot of money, to join your ship, instead, and make a lot of money for you. (One footnote: You also have to know how to distinguish imaginative, hard-working risk-takers from undisciplined malcontents. Not every free spirit and business proposer is the kind of entrepreneur you are looking for.)

One way to attract the people you want is, quite simply, to offer them a competitive salary, one that compensates for the career risks that one makes simply by working in an area as uncertain as new product development. But, very often, something more has to be offered. Your in-house entrepreneur is going to want challenge, independence and an opportunity to run—to some extent—a company within your company. And you should be ready to give it to him.

Of course that doesn't mean that your R&D staff should have total freedom to take your new product program off into the twilight zone. But within certain established budgetary and managerial guidelines, they should be given plenty of room to move around. Let them explore ideas that at first look don't seem to be the breakthroughs that top management is looking for. And, on the other hand, don't force them to spend their budget on the hopeless "pets" of top management.

You, also, have to be ready to support your R&D manager, or new product group, in the corporate political environment. Promotion, production, fulfillment, financial and marketing are all areas upon which your R&D people will have to draw. Remember, that, although your in-house entrepreneur is, from management's point of view, part of the overall organization, he may view himself as somewhat of an outsider. Other department heads may view him the same way, especially when his activities put extra pressure on their departments. Problems may occur, and you should be ready to handle them. Your R&D manager—if he's the right person—isn't likely to accept "but that's the way we always do it" as an answer from anyone.

B. Generating New Product Ideas

Whether the organization's goal is to create a totally new product line, or a new product within the existing line, chances are that your company already has a lot of ideas on file as a result of suggestions from staff, outside consultants, management, research and other sources. The time might be ripe for that idea that was studied and rejected five years ago, and one of those obscure ideas buried at the bottom of the file might be the inspiration for a new winner.

So let our R&D manager know what has gone on in the past. Give him that dusty idea file. So often, the primary skill of such a person is not in generating ideas out of thin air, but rather in recognizing the good ones that are already in the file, nurturing them and developing them into marketable new products. The final product may bear little resemblance to the idea that originally inspired it.

Walt Morrison, the inventor of the wildly successful Frisbee® summed up the development process pretty well when an interviewer asked, "Do you remember the exact moment you got the idea of the Frisbee?" He said:

Well, the truth is, it wasn't a new idea. People have been throwing lids around for years. I'm like everybody else. You know that if you throw something it will fly and that it's gonna fly a hell of a lot better upside down than rightside up, especially with a configuration like a pie pan, cake pan, popcorn lid or whatever. But nobody ever did a little design work on it and got the aerodynamics right. . .

And that's the essential skill of a good R&D manager: to do a little design work and get the aerodynamics right. In direct marketing, that might mean such things as:

- Building a unique selling proposition into the product in the early stages of development. A no-commitment book club, a two-pound suitcase or a series of popular music albums signed by the performers might be examples of common products that would be easier to sell because uniqueness was built into them in the early stages.
- Working with designers to assure that the product is not only going to look good in real life, but that it will also look good in promotion. Let's face it, the product will never get into the customer's hands unless it looks good in print or on television or in whatever medium you're using.
- Developing a new product idea so that it includes as many benefits as possible. These benefits might be included in the design of the product itself or in the packaging or distribution. Don't automatically write off a potential benefit because it would cost a few pennies more to produce. It might be the benefit that can double your sales.

If your R&D manager brushes off ideas without giving them some thought, without trying to streamline and develop them, then you probably have the wrong person.

C. Three Screens for a New Product Idea

Once a few feasible ideas have floated to the top by natural selection, it's time to take a much more critical, more analytical look at the choices. Ideally, ideas should pass through a series of screens, each of a successively finer mesh.

The first screen is essentially quantitative, addressing issues that relate the product to the basic objectives and strategies of the company. It includes such questions as:

- Does this product utilize our strengths; does it compensate for our weaknesses?
- Is the company looking for a product with long-term or short-term potential? Does this product satisfy those goals?
- Does the product meet the company's standards for quality? Is it within the company's image?
- Does the product use existing channels of distribution, physical facilities, staff and technology? Or will new capital expenditures be required?
- Will the product build the company's customer list, or is it a product that will sell primarily to existing customers? What are the company's goals in this respect?

The second stage of the screening process is a rough financial evaluation that would include, among other questions:

- Is the potential margin satisfactory to management?
- Are the fixed costs bearable?
- Is the absolute financial contribution of the venture attractive enough to warrant the risk?

In each of these screens, any specific company would undoubtedly have a number of additional questions to add, depending on the company's goals and strategies. But products that are still alive after going through the first two screens are going to be strong (not to be confused with successful) concepts to the company.

Now comes the most important screen, not only because it can weed out some potentially unsuccessful ideas, but also because it can help the R&D group make a good product even better. This is the research, or marketability, screen.

Up to this point, you have been developing a product that you think the marketplace wants. Now, for the first time, you can get a feel for whether or not your potential customers are as in love with the idea as you are.

Much has been written about the pros and cons of research. Some claim that people in a research situation will say they want something, but, when it comes to writing the check, it's a different story. Other marketers depend so much on research that they forget how to make decisions for themselves.

The important thing to remember is that no matter what form your research takes—focus groups, telephone and mail surveys, random intercepts, etc.—it is more likely to guide you in a general direction than to give you hard answers. And a great deal depends on how your research is set up.

For example, did you mention price to the people you are polling, or did you just ask them if they like your idea (a good idea at $9.95 might not be such a good idea at $19.95)? Did you ask the people *why* they do or do not like your product, and what changes would be required for them to respond? Did you have potential customers compare the new product idea with one or more of your (or your competitors') products to set up a more controlled situation? Did you explain your product thoroughly (especially if it's a service)? Is there a product mock-up for the panel to look at?

Considering the amount of money that is eventually spent on launching a new product, it can often be well worth the slight additional cost to bring in a professional research consultant at this point. It's not uncommon that the final steps in the streamlining process come from some of the 'revelations' that are discovered through research.

D. Championing the Idea to Management, and Beyond

The new product has now passed through the three screens . . . it looks like a good bet financially . . . it's been refined to increase its chance for market acceptance . . .

Is the R&D manager's job over? Hardly. In some cases, it's just beginning. The hardest part of the job can be selling the idea—no matter how good it looks on paper—to management. As stated earlier, today's business climate is risk-adverse, and, no matter how strong a new product idea is, it is still a risk to put it into the marketplace. The stories of failed "sure shots" are legend. Management knows them better than you do, and that's why they have to be convinced, and reconvinced, of the worthiness of even the best ideas.

This brings to the fore one of the most important qualities a good R&D manager can have: bullishness. He must be able to get excited by

the ideas his area develops and willing to enthusiastically sell them to management. Remember, enthusiasm is catching.

Moreover, once top management makes a commitment to taking a new product idea to the test market and launch stages, it shouldn't mean the end of the R&D manager's involvement. It simply doesn't make sense, at this critical stage, to put the object into the hands of a marketing/creative team that doesn't have the hindsight of how the product was developed and brought along. Nobody is as close to the product, or as familiar with its strengths and weaknesses, as those who chaperoned it to this point. Let them work with the marketing/creative team in the final stages, and you can avoid many mistakes, not to mention duplication of effort.

A word about the marketing and creative personnel you assign to launch a new product. Like the R&D manager, they should be people who are capable of thinking beyond the normal boundaries of the company's day-to-day efforts. A new product may lead them to new lists, new markets, new creative directions, into new syndication deals, and in other directions where perhaps you haven't gone before. Make sure that the people in charge of the project at this point are willing and eager to follow. Don't let them be people who say, "but we've never done this before . . . we have no experience in this area."

E. Summary

There is no sure path to new product success. The statistics prove that. But there are many things you can do to increase your chances in today's changing marketplace, and they begin with good people: the true entrepreneurial types who can take the bull by the horns and create new business ventures for you. They're hard to find. They don't work cheap. They can be hard to work with because they're often following their own vision. But they can lead you beyond the bounds of your experience, often with great success. And they can be a inspiration for the rest of the company.

7

Media

by

Timothy Sharpe

Timothy Sharpe Associates, Inc.

I. Introduction

In the 1980s, direct response advertisers have a dazzling variety of media available to them. Of course, there is direct mail—still many marketers' basic medium—but beyond direct mail are a host of other media possibilities which aggressive advertisers can test and utilize. Indeed, one of the major reasons for the current direct marketing explosion has been that advertisers can, because of computer technology, track their results in different media one against the other. Today, all major advertisers seek to broaden their use of media to reduce the risks inherent in too much dependence on just one medium.

And yet, as recently as 20 years ago, direct response advertising was defined principally in terms of direct mail. The first breakthrough in the use of media other-than-direct-mail occurred in the late 1950s when magazine publishers solved the mechanical problems to permit the binding-in of insert cards in magazines. It meant that mail order advertisers in magazines were no longer dependent upon on-page coupons; that prospective customers could now easily detach a business reply card from the magazine itself.

This, in turn, meant that advertisers could start spending more and, in so doing, dramatically increase their results. At about this same time, Peter Rabar of Wunderman, Ricotta and Kline, Inc. and the late Leslie Klemes of CBS-Columbia House approached *TV GUIDE* with the idea of binding-in a hard stock, card insert into the center of the magazine. It was an immediate success, and for many years the center spread position in *TV GUIDE* became the most successful and most sought after mail order position in the history of magazine publishing. (This success in *TV GUIDE* was to end for many advertisers in the fall of 1980 when the magazine went to "perfect" binding. When this happened, the magazine no longer "opened" to the insert, and results fell off for virtually all advertisers.)

The 1960s saw the birth of free-standing preprints in newspapers, computer letters and dupe elimination in direct mail, and new disciplines for space advertising. Today's direct marketer utilizes not only direct mail and space, but also broadens his media usage to include television and radio, package inserts, the telephone and other specialized media . . . all of which are examined here.

National Advertising Expenditures

For many years, McCann-Erickson's Robert J. Coen has charted advertising expenditures by media for the industry, and his projections are widely distributed and accepted. In December 1982, he foresaw the possibility of $73.5 billion in advertising volume for 1983 . . . this following estimated ad volumes of $61.5 billion in 1981 and $67.3 billion in 1982.

Mr. Coen reported: "Advertising spending in 1982 reflected the continued sharp decline in the economy throughout the 12 months. Nevertheless, expenditures held up surprisingly well.

"For the first time during a recession, large advertising expenditures were committed for use in inventory control, such as in automotive rebate promotions. Heavy political advertising, due to congressional redistricting, also contributed to the relatively solid performance of the advertising industry. Strong new product introductions and maintenance of heavy competitive spending for market share protection were also factors underlying the better performance of advertising this year than in previous years."

Although advertising in 1982 was exceptional when viewed in relation to the rest of the economy, it was not outstanding when viewed in absolute terms. In fact, real advertising volume in many media began to slip noticeably by mid-year. Mr. Coen cited such examples as loss of newspaper lineage and magazine pages. He expects this softening in advertising volume to continue until mid-1983, when another expansion in advertising message volume is likely to get underway. As a result, 1983 expenditures will probably grow somewhat more slowly than they have this year. "Of course," he said, "some media will perform significantly better than the average, but other media will still be feeling the effects of the recession until 1984.

"In conclusion," Mr. Coen said, "advertising expenditures in 1983 will continue to grow at a slightly faster pace than the rest of the economy, as they have since 1976. But next year the differential will probably be the smallest we have seen since the mid-seventies. By 1984, real expansion in the economy should be clearly underway. Pent-up consumer demand will be unleashed and there should be a strong surge again in advertising activity in all media."

Here are estimated 1982 ad volume figures as compared to 1981:

Estimated 1982 Ad Volume

	1981 $ (Millions)	1982 $ (Millions)	Percent change
Newspapers (national adv.)	2,729	2,975	+ 9
Magazines	3,533	3,745	+ 6
Network TV	5,575	6,275	+13
Spot TV	3,730	4,290	+15
Direct Mail	8,918	10,345	+16
Other National Media	8,846	9,670	+ 9
Total National Advertising	34,440	38,485	+11.7
Newspapers (local adv.)	14,691	15,380	+ 5
Local TV	3,345	3,715	+11
Other Local Media	9,034	9,745	+ 8
Total Local Advertising	27,070	28,845	+ 6.6
Total All Advertising	61,510	67,330	+ 9.5

Source: McCann-Erickson, Inc.

Estimated Annual U.S. Ad Expenditures: 1976-1981
(in millions of dollars)

	1976	1977	1978	1979	1980	1981
Newspapers						
Total	9,910	11,132	12,707	14,493	15,541	17,420
National	1,502	1,677	1,787	2,085	2,353	2,729
Local	8,408	9,455	10,920	12,408	13,188	14,691
Magazines						
Total	1,789	2,162	2,597	2,932	3,149	3,533
Weeklies	748	903	1,158	1,327	1,418	1,598
Women's	457	565	672	730	782	853
Monthlies	584	694	767	875	949	1,082
Farm Publications	86	90	104	120	130	146
Television						
Total	6,721	7,612	8,955	10,154	11,366	12,650
Network	2,857	3,460	3,975	4,599	5,130	5,575
Spot	2,154	2,204	2,607	2,873	3,269	3,730
Local	1,710	1,948	2,373	2,682	2,967	3,345

Estimated Annual U.S. Ad Expenditures: 1976-1981 (continued)
(In millions of dollars)

	1976	1977	1978	1979	1980	1981
Radio						
Total	2,330	2,634	3,052	3,326	3,777	4,230
Network	105	137	147	161	180	230
Spot	518	546	620	667	774	879
Local	1,707	1,951	2,285	2,498	2,823	3,121
Direct Mail	4,786	5,164	5,987	6,653	7,596	8,918*
Business Papers	1,035	1,221	1,400	1,575	1,674	1,841
Outdoor						
Total	383	418	466	540	600	650
National	252	290	307	355	390	419
Local	131	128	159	185	210	231
Miscellaneous						
Total	6,650	7,487	8,682	9,787	10,767	12,122
National	3,471	3,899	4,494	5,065	5,670	6,440
Local	3,179	3,588	4,188	4,722	5,097	5,682
Total						
National	18,555	20,850	24,025	27,085	30,315	34,440
Local	15,135	17,070	19,925	22,495	24,285	27,070
GRAND TOTAL	33,690	37,920	43,950	49,580	54,600	61,510

Prepared for Advertising Age by Robert J. Coen, Senior Vice President, McCann-Erickson, Inc.

II. Direct Mail

Despite the recent proliferation of other media, direct mail continues to be the primary medium for many direct marketers. The reason for its ongoing success is that direct mail can still pinpoint its target audience with more efficiency than any other medium.

The volume of direct mail is growing dramatically every year, as evidenced by the dollar volume in 1981, when it was $10,566,746,000 up from the $9,998,706,000 in 1980. (See table III of this section.)

These impressive increases are taking place even though spiraling operating and production costs have an impact on the medium virtually every year. Postage rates, for instance, are continually going up. In 1960, the regular bulk rate for third class mail was $20 per thousand; it jumped to $84 per thousand in 1978 and $109 per thousand in 1981. (See page 134, Chapter 10.)

Today, it is difficult to be in the mail for less than $250 per thousand, and many mailers are now used to spending up to $400 per thousand and much more.

A. Importance of List Segmentation

An absolutely critical element in the success of direct mail is the correct, appropriate use and selection of the list chosen for the package. (See Section IX on Mailing Lists at end of this chapter.) The list is the key to direct mail, but just as important is list segmentation. Selection by state, by sex, selection of active customers versus expires, selection of recent buyers versus all others are all significant tools in the selection process; but they are not enough.

Major breakthroughs are being made in the areas of ZIP Codes and census tract selectivity. Lists are also being segmented by the original

*DMA and Robert J. Coen, who has been compiling statistics for *Advertising Age* for over 20 years, are not in agreement on dollar expenditures on direct mail. DMA dollar volume for media includes 10% of First Class Mail and 95% of Third Class Mail (constitutes *direct mail*).

source of the name, recency of activity, frequency of activity, status of the account, monetary value of purchase activity and product affinity. There is great leverage in improved list selectivity, and every bit of it is needed to increase productivity in order to counteract increasing direct mail costs.

Costs of direct mail lists are generally in the $30 to $50 per thousand range, though some compiled lists can be had for less, and several current "hot" lists charge up to $100.

To review the thousands of available lists, an essential tool is the current *Direct Mail List Rates and Data*, published by Standard Rate and Data Service, Inc.

B. Mail Volume Statistics

Table I
Volume of Third Class Mail

	1978 # Pieces	1979 # Pieces	% Change (1978-1979)	1980 # Pieces	% Change (1979-1980)	1981 # Pieces	% Change (1980-1981)
Single Piece	566,074,000	468,407,000	−17.3	420,243,000	−10.3	335,168,000	−20.2
Nonprofit	7,188,561,000	7,302,724,000	+ 1.6	7,963,912,000	+ 9.1	8,566,607,000	+ 7.6
Regular Bulk	18,575,178,000	19,742,000,000	+ 6.3	21,996,731,000	+11.4	24,705,630,000	+12.3
Total	26,329,813,000	27,513,131,000	+ 4.5	30,380,886,000	+10.4	33,607,405,000	+10.6

Source: Direct Marketing Association, Inc.

C. Mailing Cost Survey to Determine Average Mailing Costs per 1,000 Pieces of Direct Mail

In April 1981, Information Central surveyed approximately 250 DMA Members involved in various direct marketing programs. We specifically asked production managers of agencies, direct mail companies, and lettershops to complete two carefully outlined worksheets for the production of two direct mail packages with given components and asked for the prices on production in 50,000 and 250,000 quantities. Package #1, slightly more elaborate, was modeled after a book club promotion package, and Package #2 was modeled after a fundraising package. Each package could be considered "typical" and might be mailed by any direct marketing company. Creative costs for the packages are not included. Note: A national sampling was utilized in the survey and is reflected in the results.

The figures presented below represent the average of 34 production managers' estimates from the 37 completed estimates which were originally received for each package. The highest and lowest total bids were deleted. And, the highest and lowest individual component bids were discounted in a second check. This year the Cost Survey was even more *specific* than in prior years. Of course, there are hundreds of variables, but it is thought that this chart will be illustrative, to a reasonable extent, of the raw production dollars that a mailer must invest to simply be present in the mailstream.

There are two important points to be observed:

1. The substantial differential involved in the production of the same package in two quantities, 50,000 and 250,000. This can be observed in the cost for each component. Only postage and list rental costs are constant.
2. In our surveying, it was determined that on an "average," in any given mailing approximately 50% of the names mailed are from house files, and 50% are to rented prospect lists. Therefore, in ascertaining costs per M for an entire mailing, only 50% of the costs for both these figures has been factored in; e.g. List Rental — $45.00 per M chart indicates $22.50 cost to the mailer, per M, in a program of 50,000 pieces.

All costs are reported according to Sept. 1982 prices.

Table II
Number of Pieces of Mail Attributed to Direct Mail
1974-1981
Based on DMA's Postal Volume Formula and
U.S. Postal Service Revenue and Cost Analysis Reports
(in thousands)

Year	First Class D.Mail=20%	Air Mail D.Mail=15%	Int'l D.Mail=15%	Postal & Post Cards D.Mail=20%	Third Class (all) D.Mail=95%	Catalogs D.Mail=100%	Total # Pieces	Total # Pieces Attributable To Direct Mail
1974	52,479,467	1,354,953	1,013,748	2,199,889	20,397,336	74,954	77,511,347	30,752,387
	10,495,893	201,893	162,200	439,978	19,377,469	74,954		
1975	49,257,069	1,109,182	931,941	2,115,595	21,867,253	81,623	75,362,663	29,070,918
	9,851,413	166,377	139,791	423,119	18,408,595	81,623		
976	49,967,463	351,596	932,783	2,140,479	22,513,993	74,987	75,981,301	32,077,525
	9,993,493	52,739	139,917	428,096	21,388,293	74,987		

	First Class D.Mail=20%	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1977	53,827,034	199,487	28,562	612,518	17,138,794	6,825,799	84,998	684,899	79,402,091	34,247,163
	10,765,407	9,974	4,284	581,892	16,281,854	6,484,509	84,998	34,245		

	First Class D.Mail=10%	Priority Mail D.Mail=15%	Mailgrams D.Mail=95%	Third Class Single D.Mail=95%	Third Class Bulk D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1978	54,557,218	213,329	32,504	539,724	18,684,430	7,020,146	85,431	718,935	81,851,717	30,524,728
	5,455,722	10,666	4,876	512,738	17,750,209	6,669,139	85,431	35,947		

	First Class D.Mail=10%	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk-Regular D.Mail=95%	Third Class Bulk-Carrier Presort D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1979	58,215,317	231,835	37,989	444,871	15,509,303	4,492,980	7,552,602	104,087	755,674	87,344,658	32,580,461
	5,831,532	11,592	5,698	422,627	14,733,838	4,268,331	7,174,972	104,087	37,784		
1980	58,993,087	252,864	39,452	410,959	14,583,864	6,999,788	8,068,948	116,434*	733,832	90,187,794	34,519,943
	5,899,309	12,643	5,918	390,411	13,854,671	6,649,799	7,665,500		36,692		
1981	61,410,172	269,278	42,810	335,168	24,705,630	10,541,579	8,566,607	118,675	885,509	106,875,428	50,456,079
	6,141,017	13,464	6,422	318,410	23,470,348	10,014,500	8,138,277		44,275		

*Please note: The 1980 figure for catalogs was not used in *total* calculations.

Table III
1981 Direct Mail Dollar Volume

Class	# Of Pieces (000)	D.M. %	D.M. Volume Pieces (000)	Av. Postal Rate	Paper Production & Printing	Total Cost	D.M. Volume in Dollars (000)
First Class	60,654,517	10	6,065,452	19.95¢	17.08¢	37.03¢	$ 2,246,037
Mailgrams	42,772	10	4,277	36.94¢	1.35¢	38.29¢	1,638
3rd Class Mail							
Single	280,361	95	266,343	71.85¢	18.75¢	90.60¢	241,307
Bulk-Regular	10,330,800	95	9,814,260	10.00¢	18.75¢	28.75¢	2,821,600
Bulk-Carrier Presort	15,073,820	95	14,320,129	7.52¢	18.75¢	26.27¢	3,761,898
Non-Profit-Regular	7,098,314	95	6,743,398	3.68¢	14.03¢	17.71¢	1,194,256
Non-Profit-Presort	1,553,669	95	1,475,986	2.55¢	14.03¢	16.58¢	244,718
International Mail	732,108	2	14,642	51.54¢	18.75¢	70.29¢	10,292
					Bill Enclosures		25,000
					Co-Op & BRE		20,000
Total	95,757,361		38,704,487				$10,566,746
			11.79% growth in DM Volume Pieces				5.68% growth in DM Dollar Volume

Source: Direct Marketing Association, Inc.

Table IV
Direct Mail Advertising Expenditures

These figures include only postage and production cost estimates. They do *not* cover estimated costs of direct mail creative services.

1936	$266,010,365	1950	$ 918,660,480	1964	$2,354,015,000
1937	$277,851,087	1951	$1,056,296,826	1965	$2,408,275,000
1938	$269,869,569	1952	$1,171,088,984	1966	$2,551,148,000
1939	$277,292,494	1953	$1,256,393,834	1967	$2,581,634,000
1940	$278,221,589	1954	$1,374,882,915	1968	$2,796,013,000
1941	$293,961,595	1955	$1,485,261,000	1969	$2,725,618,000
1942	$274,369,636	1956	$1,554,068,971	1970	$2,827,026,000
1943	$268,036,086	1957	$1,615,826,302	1971	$3,432,191,000
1944	$271,991,230	1958	$1,777,039,094	1972	$3,406,483,000
1945	$241,960,283	1959	$1,930,588,964	1973	$3,990,063,000
1946	$278,797,152	1960	$2,027,016,075	1974	$4,749,689,000
1947	$482,737,477	1961	$2,111,523,778	1975	$5,063,525,000
1948	$574,527,477	1962	$2,029,308,000	1976	$6,025,639,000
1949	$863,989,380	1963	$2,215,172,000	1977	$6,966,680,000
				1978	$7,298,184,000
				1979	$8,876,683,000
				1980	$9,998,706,000
				1981	$10,566,746,000

Source: Direct Marketing Association, Inc.

PART A
SAMPLE DIRECT MAIL PACKAGE #1
1982 COSTS

	COMPONENTS	COSTS PER 1000 (50M Quantity)		COSTS PER 1000 (250M Quantity)	
		1981	1982	1981	1982
1.	**Letter**—4 pages/2 color 8½ × 11 (11 × 17) (60 lb. white)	$ 40.41	$ 36.10	$ 29.46	$ 25.88
2.	**Brochure**—4 pages/4 color 8½ × 11 (11 × 17) (70 lb. text)	84.20	83.90	55.28	51.80
3.	**Order Card**—2 color 5 × 7 (65 lb. cover index)	21.38	20.80	11.49	14.00
4.	**Reply Envelope**—1 color 5½ × 7¼ (24 lb. white)	22.27	21.20	18.05	15.56
5.	**Outside Envelope**—1 color 9 × 6 (24 lb. white)	29.72	27.93	22.98	20.44
6.	**Lettershop Charges**—Per 1000	22.24	23.54	19.48	19.73
7.	**House List**—50% of mailing Running costs per M	2.38	2.21	2.86	2.24
8.	**List Rental**—50% of mailing Per 1000 (Selection costs included)	22.50	25.20	22.50	25.38
9.	**Merge/Purge**—per M	6.47	6.11	5.38	5.90
10.	**Postage**—(Fixed)	104.00	109.00	104.00	109.00
11.	**TOTAL PER M**	$355.57	$355.99	$291.48	$289.93
			+.11		−.53

Source: Direct Marketing Association, Inc.

PART B
SAMPLE DIRECT MAIL PACKAGE #2
(Smaller in Size and Less Elaborate than Package #1)
1982 COSTS

	COMPONENTS	COSTS PER 1000 (50M Quantity)		COSTS PER 1000 (250M Quantity)	
		1981	1982	1981	1982
1.	**Letter**—4 pages/2 color 8½ × 11 (11 × 17) (60 lb. white)	$ 40.27	$ 35.46	$ 29.19	$ 25.98
2.	**Brochure**—4 pages/2 color 7 × 8¼ (folded to 4 panels) (70 lb. text)	48.62	44.45	32.37	28.32
3.	**Order Card**—2 color 8½ × 3½ (65 lb. cover index)	18.68	19.16	11.66	12.34
4.	**Reply Envelope**—1 color 8¾ × 4 (24 lb. white)	16.50	16.52	12.81	12.56
5.	**Outside Envelope**—1 color 9½ × 4¼ (24 lb. white)	19.04	19.93	16.67	15.42
6.	**Lettershop Charges**—Per 1000	20.98	20.47	18.74	18.46
7.	**House List**—50% of mailing Running Costs per M	2.38	2.29	2.86	2.31
8.	**List Rental**—50% of mailing Per 1000 (Selection costs included)	22.50	25.09	22.50	25.54
9.	**Merge/Purge**—per M	7.37	7.08	5.72	6.22
10.	**Postage**—(Fixed)	104.00	109.00	104.00	109.00
11.	**TOTAL PER M**	$300.34	$299.45	$256.52	$256.19
			+.29		+.14

Source: Direct Marketing Association, Inc.

III. Syndication

A. What is Syndication?

Syndication. The term "syndication" as related to the mail order industry probably was borrowed from the publishing business referring to the act of selling materials for publication in a number of newspapers or periodicals simultaneously.

Specifically, a mail order Syndicator creates an offer to send to the customers of one or more companies having a credit-approved list. The most common syndication is through oil companies, but it is also done through bank card lists and department stores. The Syndicator pays all the costs for the mailing; supplies and ships the merchandise; and, handles customer service. The list owner supplies the list and assumes the accounts receivables after the sale. The Syndicator pays the list owner a commission on all sales.

Syndication to oil companies is a relatively new business, having begun in the mid-1960s.

B. Needs That Syndication Meets

Syndicator Needs. In pre-syndication days, a scattering of mail order entrepreneurs were mailing solo offers to rented lists of mail order buyers. The offers ranged from $19.95 watches to $100 power tools or $150 movie kits. Often the mailers offered monthly terms up to a full year.

The mailers required very big margins on the products they offered in order to make a profit. Usually they needed an outside line of credit to support their businesses. The bad debt ratio was high. All orders had to be credit checked and as many as 50% to 70% of the orders could not be shipped because of either bad credit or no credit rating. The incidence of mailers' bankruptcy was high.

Syndication was an ideal solution for these mailers. The oil companies, in many cases, had millions of credit-approved customers and they were willing to assume the credit risks . . . to take over the receivables as soon as the sale was made. This relieved the mailer of the cost of credit checking and the risk of bad debt.

Once a Syndicator had established a relationship with an oil company, he found that his suppliers were more willing to extend terms and that he had the leverage to negotiate better prices on merchandise.

The responses to early syndication mailings were unusually strong. $29.95 or $39.95 offers often pulled as high as 8% response. The merchandise offered consisted of mail order staples: watches, portable radios, cameras, luggage and power tools. Because of the volume, Syndicators often worked with short margins, allowing them to offer genuine values to the oil company customers.

The early syndication offers were all solo mailings, often including a pre-selected number sweepstakes. Later, the Syndicator discovered the high-profit, low-risk potential of statement inserts and remittance reply envelopes (also known as "bangtails"). Since the Syndicator didn't have to pay the postage for the mailing, he could get his offer into the hands of active credit card customers for as low as $7 or $8 a thousand.

From the early, somewhat unsophisticated (but highly profitable) days of syndication to oil companies, Syndicators have broadened their market to include banks, department store chains and other credit-approved lists. Instead of mailing the full list of credit card customers a single offer as they did in the early days, Syndicators and list owners now work with elaborate list segmentation to identify their best prospects.

List Owner Needs. When oil companies first became involved with Syndicators, many of them were as interested in activating credit card holders as they were in profits from sales.

Most early mailings contained a sweepstakes offer independent of the merchandise offer. In order to enter the sweepstakes, the customer was required to visit his service station to have the entry validated. A 25% response to a sweepstakes was not unusual in those days, so that on a mailing of 3 million the oil company would have 750 thousand customers visiting their stations and probably making purchases.

As the novelty of sweepstakes wore off and the oil companies realized the profit potential of syndication, the station visits were eventually phased out.

Syndication represented a big return on a very minor investment by the oil companies. It would not be unusual for a department of three or four people to produce as much as $5 million in earnings for the company. (Although that $5 million is minuscule when measured against total earnings for a major petroleum company, it represented a very high return on investment.)

Syndicators put up all the money for the mailings and took all the risks and handled all customer service. The oil company was paid a commission on gross sales simply for making

the list available and carrying the receivables.

Later, when bangtails came into use, the oil companies also saved the money they had formerly spent for the millions of payment envelopes they used each year.

Consumer Needs. The high responses to syndication mailings in the early days indicate that the credit card customers were as pleased as the Syndicators and the list owners. Many of the offers represented real values. Customers knew the oil company would assure their satisfaction: they could try out anything they ordered without obligation and they could pay on monthly terms. Undoubtedly, syndication helped turn millions of Americans into mail order buyers.

Manufacturer Needs. Manufacturers and their representatives were happy, too. Their only problem was producing enough merchandise in a short time to satisfy the demand. From a successful mailing they might receive 150 thousand orders or more within a two month period. They knew the oil company would assume the receivables so there was very little risk to them.

C. Formats in Syndication

Formats used in syndication are basically four:

Solo Mailing Packages
Statement Inserts
Remittance Reply Envelopes (Bangtails)
Catalogs

Solos usually consist of either a 6"x9" or #10 envelope with or without teaser copy, a letter, circular and order card and sometimes one or two special inserts. Frequently, in place of the circular, you will find anywhere from four to twenty small inserts offering different merchandise or services. These multi-mailings were first used about six years ago with excellent results and appear to be still effective.

Statement Inserts go out with the customer's monthly statement. They are sent only to those customers who have made a recent purchase or have an outstanding charge for merchandise, which is a prime segment of the list. Sizes of inserts vary between list owners; they may have an attached order card or a separate or nested card.

Bangtails are the envelopes the customer uses to mail back his monthly payment. They also contain a tear-off order form for the merchandise which the customer can mail back with his payment. Bangtails may advertise more than one product. By using the promotional envelopes supplied by Syndicators, the oil company saves the cost of providing a payment envelope.

Catalogs are sometimes used in syndication; they may be mini-size, containing as few as six products or they may be as large as 32 pages. Most contain a variety of merchandise, usually items the Syndicator has offered before. Occasionally, a Syndicator may put out a catalog on a single merchandise line, such as a shoe catalog which was mailed a few years ago.

D. Problems in Syndication

While syndication was practically an unmixed blessing some fifteen years ago, in recent years it has developed problems which will have to be solved by the Syndicators and the list owners.

Response has decreased dramatically from the early days when responses of 5% to 8% were not uncommon. This is probably a factor of the sheer quantity of solos and inserts sent to customers over the years. Another factor may be that Syndicators cannot afford to offer the values they once did.

Syndicators today find themselves in a cost squeeze with increases at every turn: postage, printing, merchandise and financing costs. These costs can't easily be passed along to the customer because each increase means lower response. At the same time, commissions paid to list owners are at their peak.

This combination of factors has resulted in serious financial problems for some Syndicators in the past few years.

A constant problem of Syndicators is that of merchandise procurement. Finding potentially successful mail order merchandise is just the start. Then the Syndicator must make certain that the supplier is reliable and financially stable. Unlike a retail or catalog operation where sales are made over a long period, the supplier to Syndicators must be able to deliver 20,000 to 50,000 pieces within a two month period. Back-order situations are not looked upon kindly by list owners and eventually erode customer trust. Finally, many Syndicators try to arrange terms over four to six months. Finding suppliers who meet all of the qualifications of syndication is a difficult and time-consuming task.

E. Trends in Syndication

Although solo mailings are still desirable to list owners who earn commissions on gross sales, they are becoming less desirable to the Syndicators because of increased costs and reduced response. Inserts and bangtails, however, because of their low cost, continue to be profitable to Syndicators. The practice has been for list own-

ers to require Syndicators to make solo mailings in order to qualify for insert and bangtail mailings. Obviously, this is a conflict which will have to be resolved between the two parties with, as possible solutions, risk-sharing or reduced commissions to the list owner.

During 1979 and 1980, some Syndicators increased their efforts to develop profitable long term and short term continuity programs. In most cases, these programs involve a free offer (pay only postage and handling) up front with automatic shipment to follow either annually or over several months.

Among the continuity programs which have been tested or which are currently being operated are the following:

- **Appointment Book/Home Planner.** In this program the customer is offered an appointment book at the beginning of the year. The only cost is for postage and handling. Then he automatically receives a new one annually at about $10 each until he cancels.
- **Jewelry.** The customer is offered a stickpin with a semi-precious stone for only the cost of postage and handling. If the customer does not cancel, a series of matching jewelry pieces are shipped at three month intervals at about $15 each. Variations on this include gold or gold-filled chains with a free bracelet up front.
- **Calendar/Reminder Service.** A variation on the Appointment Book Offer, using a large appointment/calendar for the wall. In addition, the customer can specify dates he wants to remember which are put on computer with reminders sent to the customer. An annual renewal.
- **Credit Card Protection.** This program has been operational for some time. For a monthly fee, the customer's credit card account numbers are maintained on computer and if the cards are lost, a phone call to the protection company automatically notifies all credit card issuers.
- **Home Record Keeping System.** Also a variation on the Appointment Book offer. Offers a free file/organizer in the first year with annual shipments until cancellation.

Most of these continuity offers are made through inserts although some have been made in solo offers. Judging by their proliferation, continuities appear to be a profitable avenue.

Continuities such as those described above probably would not have been well received by list owners in the early days of syndication. In those days the business was much simpler and more basic. Continuities were not necessary because it was relatively easy to find merchandise that could be successfully sold, at a profit to both the Syndicator and the oil company.

Over the years, as the syndication business has become more difficult, list owners have become increasingly more sophisticated about merchandising, offers, seasonality, creative, pricing, fulfillment, customer service, EDP, and all the other elements of successful mail order. Most list owners have representatives attending the major industry shows and DMA conventions. All of this is in marked contrast to the situation ten to fifteen years ago when oil companies were completely dependent on Syndicators for their information and guidance.

It would not be unrealistic to see a time in the future when the list owners would begin to take over more of the functions of the Syndicators and eventually replace them with internal mail order departments.

(Data reported above from "1980/81 U.S. Consumer Mail Order Industry Estimates" courtesy of Maxwell Sroge Company.)

IV. Space Advertising

A. Magazines

The early 1970s saw the decline and fall of the old line mass circulation magazines which had been so influential for so many years. *Life, Look* and *The Saturday Evening Post* all faltered and sank as they engaged in a fruitless "numbers" game on circulation. (*Life*, of course, was to be re-born and exists successfully today, though its circulation is about one-quarter of what it was in its glory years.)

By the late 1970s, the industry watched special interest magazines achieve great success—both in circulation and ad revenues, and direct response advertisers have run heavy schedules in these publications with many success stories for mail order advertisers.

There are thousands of magazines published in this country, but only approximately 426 of them are audited by the Audit Bureau of Circulation.

They have a combined circulation of about

300,000,000, and advertising costs are mostly between $3 and $10 cost per thousand (CPM), though many magazines can run to over $20 CPM, depending upon the specific magazines, their circulations, the unit which is run and the use of color.

Rates. The cost of advertising in magazines is significantly lower than mail. Usually $3-$10 per thousand, as opposed to the $300 per thousand or more of most mail campaigns. In terms of total investment, an advertiser can make a test in space for as little as a few hundred dollars. In terms of expansion, magazines offer great opportunity. (For example, a one page ad in the local section of one edition of *TV Guide* can be as low as $250, while a national centerfold position would be in excess of $300,000.)

Many considerations affect the cost of an advertisement. Those influencing the cost are:

- Size of space unit used; the larger, the greater the cost
- Use of color, two-color or four, and bleed versus non-bleed
- Regional, demographic or test market selections
- Premiums for split tests

Many avenues are open for discounts; some can represent considerable cost reduction opportunities:

- Mail order (discount) rates as large as 30-40%
- Special publisher rates for selected categories such as books, schools, etc.
- Stand-by or remnant space, not used by regional advertisers, available at as much as 50% off

Dollar volume, frequency, and multiple page discounts are also important, although not as large as the three referred to above. Some publications also offer discounts if other magazines in their "group" are used. Examples of this are *Ladies Home Journal* combined with *Redbook*; combinations of the Ziff-Davis publications and McFadden's Women's Group.

Regional testing on a geographical basis, if testing is structured correctly, can tell you if a full-run of circulation is warranted.

A publisher may give a special discount to get the advertiser to test his magazine. Per Inquiry (or P.I.) ads can sometimes be negotiated. (Make sure you agree, however, that the total P.I. commissions are not to exceed the rate card space.)

Special units/formats, such as insert cards, full-page cards, spreads, use of additional colors can all be important in increasing results if they turn out to be efficient.

Standard Rate and Data Service is a reliable reference source for rates and other information for virtually all publications that a direct marketer would want to consider. But all of these factors, like the many other details related to a magazine, should be discussed with the magazine's advertising representative. Negotiating the purchase of space in magazines is both an art and science.

Magazines can be roughly grouped into five categories:

- *General Mass* (High circulations, low CPMs);
- *Women's Service* (Heavy circulation, reasonable CPMs);
- *Shelter; Business* (High demographics, high CPMs); and
- *Special Interest*. This latter group has many sub-categories, including Sports (the tennis and golf magazines, *Sports Illustrated*, *Ski*, etc.); How-to (*Popular Science* and *Popular Mechanics*, *Mechanix Illustrated*); Class (*New Yorker*, *Smithsonian*, *Quest*); Fraternal (*American Legion*); Literary (*Atlantic Monthly*, *New York Times Book Review*, *National Review*); and many others (*Ms.*, *Playboy*, *Penthouse*, *Travel* and *Leisure*).

Here are examples of magazines in each category, with their circulation and B/W page rate:

General Mass

Publication	Circulation (000)	B/W Page
TV Guide	18,871	$58,800
Reader's Digest	18,193	74,600
People	2,309	25,700
National Enquirer	5,013	18,700

Women's Service

Publication	Circulation (000)	B/W Page
Ladies Home Journal	5,403	$35,970
McCall's	6,256	42,450
Redbook	4,234	31,905
Woman's Day	7,574	48,040
Family Circle	7,366	44,000
Good Housekeeping	5,139	38,210

Shelter

Publication	Circulation (000)	B/W Page
Architectural Digest	483	$ 9,505
House and Garden	1,051	14,820
House Beautiful	930	11,685
Better Homes & Gardens	8,057	51,915
Metropolitan Home	819	10,405

Business

Publication	Circulation (000)	B/W Page
American Banker	17	$ 2,782
Time	4,452	49,335
Newsweek	2,953	37,040
Forbes	600	14,540
U.S. News	2,085	21,940

Special Interest

Publication	Circulation (000)	B/W Page
American Photographer	203	$ 3,700
Sports Illustrated	2,343	31,710
Playboy	5,747	36,160
Popular Mechanics	1,696	16,280
New Yorker	502	9,300
Scientific American	705	11,200
Money	837	12,820
Cosmopolitan	2,813	18,810
Car & Driver	725	13,855
Gourmet	671	7,000
Texas Monthly	251	4,825
TWA Ambassador	253	7,146
Camping Journal	271	3,795
Black Enterprise	161	6,985
Boy's Life	1,538	9,150
Elks	1,649	6,190
Travel & Leisure	944	13,235

B. Newspapers

Some 1,730 daily newspapers with an estimated total circulation of 62 million a day are currently published in the United States. There are three distinct ways in which to reach the newspaper reader: by individual paper (with on-page R.O.P.—(Run of Press)—ads or preprinted free-standing inserts) or through one of the syndicated Sunday supplements.

1. **R.O.P. ads.**

   Though inexpensive on a per line basis, they are not as successful for direct marketers as inserts or the Sunday supplements, primarily because the ads by definition do not have the visual impact or dominance provided by the other forms. Nevertheless, there are success stories being written by small space users, and many papers have regular mail order sections.

2. **Preprinted Inserts**

   These are printed by the advertiser and shipped to the paper for insertion. Preprints can be prepared in many different formats (everything from a single sheet to a 24- or 32-page catalog). Printing costs obviously vary according to the format. Insertion costs from the newspaper can vary widely depending upon the paper and the amount of circulation you are buying. These costs range anywhere from $15.00/M to $40.00/M or even higher. The use of preprints continues to grow: from 8-billion inserts in 1970 and 18-billion in 1976 to 20-million in 1977.

   A survey, conducted by Richard Brehl & Associates for the Newspaper Advertising Bureau, gives some idea why preprinted inserts are so effective and are used so extensively by direct marketers.

   The survey found that, on average, more than eight out of ten (83%) of the women, noting an insert, reported opening every page. And inserts are saved by one out of four women readers. Of those saved, 41% are kept for one or two days, 38% for three or four days, and 21% are kept for five days or more.

   When more than one insert appears in the same issue, noting levels remain constant. Average noting scores range from 84% for one insert, to 82% when four inserts appear in the same issue.

   - Inserts are effective vehicles for both cents-off coupons and certain product samples. (See also Couponing in this chapter, page 99).
   - Inserts are normally supplied by the advertiser, not by the newspaper.
   - The printing cost of a typical two-page insert can run about $15 per thousand.

   a. **Shipping & Inserting**

      First, the inserts are stacked on skids or pallets in the special turns and bundles required by the newspapers. Then, the printer ships them in trucks, to arrive at the newspapers seven to ten days prior to the insertion date.

      Inserts are stuffed, either by machine or manually, in the newspaper plant or out of

the plant by the distributor or carrier; 80% of the daily and 92% of the Sunday insertions are in-plant operations.

b. **Production Timetable**

5-10 Million Pressrun

5 weeks	for positives and engraving
1- 2 weeks	for printing
1- 2 weeks	for shipping to newspaper
1 week	for arrival at newspaper prior to insertion
8-10 weeks	

Source: The Insert Division of the Newspaper Advertising Bureau, New York, NY, is the prime source for information about preprinted inserts. It services and coordinates multi-paper insert schedules for advertising agencies and provides the basic information needed by media buyers and planners which enables them to evaluate insert programs. The Insert Division will also handle the complete logistics of a program from making space reservations and working with the printer of your choice to issuing one order, one bill for the space insertion cost.

Computer Information. The Bureau's in-house computer is the key to servicing advertisers with fast, accurate insert information. It generates printouts, in one common format, with the latest circulation, rate, mechanical and shipping requirements for more than 1,745 daily newspapers in the U.S. and Canada.

3. **Sunday Supplements**

Sunday Supplements offer an advertiser awesome circulation and great flexibility in terms of coverage.

Both *Parade* and *Family Weekly* are edited nationally and appear (with the sponsoring newspaper's name) in the Sunday editions of papers.

Parade is carried in 129 papers, with a total circulation of 21,644,000—mostly major markets. One time 4/c rate is approximately $106,000 for a 7" x 10" ad.

Family Weekly is carried in 355 papers, mostly small cities, with a total circulation of 12,350,000. One time 4/c rate is approximately $60,000 for a 7" x 10" ad.

The Sunday Group is in 50 markets with a circulation of 21,732,000. One time 4/c rate is approximately $123,200 for a 7" x 10" ad.

An added strength of Sunday supplements is their flexibility. An advertiser can buy only a few markets, or many. He also can split-test in most markets.

Another advantage is the mail order "environment" of the supplements. Much of the advertising is mail order (as much as two-thirds in *Parade*, for example) which, indeed, seems to help response rather than hurt it.

V. Television

TV has become an important and dynamic medium for direct marketers. Advertisers' use of the medium is growing each year for two reasons:

First, the circulation (audience) is staggering in its potential. There are now almost 78 million TV homes in this country, 51% of which are multi-set homes. The average home is watching TV six hours and 36 minutes a day, higher than it has ever been. TV now reaches 89% of all men in an average week; 91% of all women; 90% of all teenagers 12 to 17; and 95% of all children two to 11. Television long ago replaced newspapers and radio as the source of most news for adults, and the medium is also rated as the most believable source of news and information.

The second reason for the expanded use of TV is that direct response advertisers are learning day by day how to apply to TV the same hard disciplines which have been applied to other media for so long. In other words, we are learning segmentation: how to reach, on an efficient basis, specialized groups of viewers, demographically and psychographically. An example of this is cable TV, which is becoming increasingly important to direct response marketers. There are now 4,300 operating systems covering 17 million

homes (22% of TV homes). The "super stations" (including WTBS Atlanta, WOR New York, WGN in Chicago) are seen through cable in many parts of the country, as well as the Cable News Network.

A. How Television Is Used

There are three basic ways in which television is used today.

- **To sell a one-shot**—a record package, for instance, or a set of steak knives. This one-time sale of a single product generally involves a two-minute commercial, of which the last 30 seconds (the tag) are devoted to ordering information including a post office box or an 800 telephone number for C.O.D. or credit card options.

  The maximum price at which one-shot merchandise can be sold on TV seems to range between $10 to $15.

- **To generate leads:** for schools or for an encyclopedia; for any product or service which involves either a sizeable financial commitment or is too complicated to explain adequately during a commercial. These commercials are the first part of a traditional two-step process, in which the names generated by the commercial must then be converted to sales.

  Sixty-second commercials are usually sufficient for this. As with one-shots, the tag is all-important. The action the viewer is asked to take must be spelled out completely and simply.

- **As support of another medium.** This is the newest and fastest growing use of the medium—using television commercials to call attention to the use of other, more primary media.

  A dozen major companies in the United States now have proved the effectiveness of TV to support direct mail, magazine and newspaper preprints. Among those who now use TV for support are *Reader's Digest*, Grolier, RCA and Columbia Record Clubs, Time-Life, and National Liberty.

  In this case, the commercial is 30-seconds long, and it usually begins running about four or five days prior to the anticipated delivery of the direct mail or the on-sale date of the space ad or newspaper preprint.

Does TV support work? Yes, but there are important rules being established. First, the basic or primary effort (direct mail, etc.) must have no less than a 25% penetration into a given television market. With that established, various levels of support (gross rating points) should be tested to determine the most efficient use of TV.

B. Buying TV Time

Virtually all television "buys" are made on local stations and the new cable networks as opposed to network (the only exception being the use of network spots for some support campaigns). In most cases, rates are negotiated directly with the station as opposed to dealing with the station "rep" firms. Most stations' time charges for direct response spots are 15% to 45% off the regular national rate (and there are still a number of stations which will accept a schedule on a Per Inquiry basis, though some minimum buy is established at the outset).

Though direct response advertisers enjoy considerable discounts in buying TV directly from the stations, the stations will usually only accept a schedule on a preemptive basis; that is, stations have the right to bump the spots if they can secure a full-rate advertiser prior to air dates. This can make scheduling difficult, and direct response advertisers may not know until several days after the "buy" whether or not their schedule ran as ordered.

Experience shows that top-rated programs are *not* best for direct response offers. Indeed, prime time (8-11 P.M.) is usually not as efficient as fringe time, late night or weekends. Experience also shows that repeated exposures of the same commercial over a short period of time are efficient (running the commercial three times, for instance, in a two-hour movie).

Specific per-spot costs vary widely depending upon the station and its ratings position in the market vis-à-vis other stations; the time periods and programs involved; the length of the commercial and the duration of the buy.

Seasonality is as important in TV as in other mail order media. Response is usually best in the first quarter of the year (when sets-in-use are highest), and this coincides with a period in which rates for direct response advertisers can be very advantageous.

Top 100 U.S. Markets

By ADI (Area of Dominant Influence). ADI TVHH column reflects number of TV households in each market.

ADI Rank	Market	ADI TVHH	PCT of U.S.
1.	New York	6,324,400	7.99
2.	Los Angeles	4,132,100	5.22
3.	Chicago	2,887,500	3.65
4.	Philadelphia	2,373,100	3.00
5.	San Francisco	1,905,800	2.41
6.	Boston	1,829,200	2.31
7.	Detroit	1,635,400	2.07
8.	Washington, DC	1,436,600	1.81
9.	Cleveland	1,361,700	1.72
10.	Dallas-Ft. Worth	1,310,300	1.65
11.	Houston	1,229,300	1.55
12.	Pittsburgh	1,189,800	1.50
13.	Miami	1,065,400	1.35
14.	Atlanta	1,061,500	1.34
15.	Seattle-Tacoma	1,038,500	1.31
16.	Minneapolis-St. Paul	1,037,200	1.31
17.	Tampa-St. Petersburg	1,035,000	1.31
18.	St. Louis	1,012,700	1.28
19.	Denver	840,100	1.06
20.	Baltimore	839,900	1.06
21.	Sacramento-Stockton	769,700	.97
22.	Indianapolis	763,800	.96
23.	Portland, OR	727,600	.92
24.	Phoenix	692,900	.88
25.	San Diego	689,500	.87
26.	Milwaukee	675,600	.85
27.	Cincinnati	674,400	.85
28.	Hartford-New Haven	673,600	.85
29.	Kansas City	666,300	.84
30.	Nashville	620,800	.78
31.	Buffalo	607,500	.77
32.	Charlotte	586,100	.74
33.	Providence-New Bedford	580,900	.73
34.	Orlando-Daytona Beach	570,600	.72
35.	Columbus, OH	569,700	.72
36.	Memphis	560,400	.71
37.	New Orleans	552,000	.70
38.	Greenville-Spartanburg-Asheville	548,900	.69
39.	Grand Rapids-Kalamazoo-Battle Creek	547,900	.69
40.	Raleigh-Durham	521,400	.66
41.	Oklahoma City	516,500	.65
42.	Louisville	510,200	.64
43.	Charleston-Huntington	504,000	.64
44.	Salt Lake City	498,300	.63
45.	Harrisburg-York-Lancaster-Lebanon	480,200	.61
46.	Wilkes Barre-Scranton	468,900	.59
47.	Norfolk-Portsmouth-Newport News-Hampton	467,300	.59
48.	Birmingham	465,100	.59
49.	Dayton	464,400	.59
50.	San Antonio	460,900	.58
51.	Greensboro-Winston Salem-High Point	453,600	.57
52.	Albany-Schenectady-Troy	450,300	.57
53.	Little Rock	439,000	.55
54.	Flint-Saginaw-Bay City	432,800	.55
55.	Toledo	418,700	.53
56.	Shreveport-Texarkana	408,200	.52
57.	Tulsa	402,900	.51
58.	Wichita-Hutchinson	392,200	.50
59.	Richmond	385,600	.49
60.	Knoxville	380,900	.48
61.	Mobile-Pensacola	372,500	.47
62.	Roanoke-Lynchburg	369,600	.47
63.	Jacksonville	355,100	.45
64.	Green Bay	347,600	.44
65.	Des Moines	347,100	.44
66.	Syracuse	345,100	.44
67.	Fresno	344,500	.44
68.	Omaha	327,000	.41
69.	West Palm Beach	325,100	.41
70.	Rochester, NY	317,900	.40
71.	Albuquerque	317,300	.40
72.	Davenport-Rock Is-Moline (Quad City)	313,500	.40
73.	Spokane	309,900	.39
74.	Paducah-Cape Girardeau-Harrisburg	292,000	.37
75.	Springfield-Decatur-Champaign	287,900	.36
76.	Portland-Poland Spring	279,200	.35
77.	Chattanooga	276,200	.35
78.	Johnstown-Altoona	269,700	.34
79.	Cedar Rapids-Waterloo	267,800	.34
80.	Jackson, MS	264,400	.33
81.	South Bend-Elkhart	262,700	.33
82.	Bristol-Kingsport-Johnson City	259,900	.33
83.	Lexington	251,300	.32
84.	Lincoln-Hastings-Kearney	248,100	.31
85.	Springfield, MO	248,000	.31
86.	Austin, TX	236,400	.30
87.	Peoria	232,300	.29
88.	Tucson	231,300	.29
89.	Huntsville-Decatur-Florence	228,900	.29
90.	Evansville	227,600	.29
91.	Youngstown	226,600	.29
92.	Springfield, MA	220,600	.28
93.	Lansing	211,800	.27
94.	Baton Rouge	211,500	.27
95.	Waco-Temple	210,900	.27
96.	Columbia, SC	207,100	.26
97.	Ft. Wayne	206,400	.26
98.	Sioux Falls-Mitchell	206,300	.26
99.	Greenville-New Bern-Washington	201,800	.25
100.	Burlington-Plattsburgh	198,500	.25

VI. Telephone

Telemarketing is a form of direct marketing which is also described as "the most personal mass market medium available today." Many signs of the growing interest in this medium have been evident throughout the past year.

Any number of explanations can be advanced for the explosive growth in recent years of all kinds of direct marketing: industrial marketers cite the escalating costs to have a salesman visit an office or a factory. Direct-to-consumer marketers point to the large number of women now in the work force who no longer have time to make extended shopping trips. On a more negative note, everyone mentions the declining quality of customer service at the retail level.

Telemarketing has received a lot of valuable publicity recently. AT&T's extraordinary advertising campaign brought unprecedented recognition to the industry. Bell's magazine insert entitled "The Telemarketing Manual" along with its direct mail, television and radio commercials have brought an awareness of the power of telemarketing to millions of small business owners throughout the country. Such promotion of the creative and systematic use of the telephone helped raise the marketing consciousness of segments of the business community who may never have used any direct marketing methods. This bodes well for our industry. Through increased acceptance of the telephone as a highly useful marketing tool, more and more businesses are also discovering the power of *all* forms of direct marketing, particularly direct mail!

Telemarketing has been described as a union between modern telecommunications technology and professional sales and customer service skills. It is *not* just selling by phone. Rather, Telemarketing is essentially a *systematic* approach toward the use of the telephone; program success will depend on how well the telephone is positioned and woven throughout the entire marketing plan.

The real power of the telephone stems from the medium's interactive nature. We can talk *with* and just just *to* our customers. In the selling process, listening skills are critical. The telephone is ideally suited to selling because it gives the customer a voice!

When we examine the spectrum of sales and customer service activities, we begin to see that they are all basically exchanges of information. In a retail or industrial sales setting, this exchange is accomplished face-to-face. Sales people transmit price and product information, describe features and benefits of a product, answer questions about warranty policy, payment terms, etc. All of these exchanges occur within normal store hours.

In the telemarketing environment, the very same types of information can be exchanged just as efficiently, with the sales people at a central location, accessible to anyone in the country, usually by a toll-free number, seven days a week, sometimes around the clock! Highly trained sales representatives or product information specialists facilitate this information transfer, usually aided by on-line computer capabilities. Modern telecommunications have knit together the entire nation into a single "wired society."

The development of a strong Telemarketing operation requires close cooperation throughout the marketing department and a commitment to Telemarketing at the highest levels of corporate management. As mentioned earlier, the phones must be carefully integrated into the marketing strategy. Here are some considerations:

- The question of toll-free service and whether it is cost justifiable, has sometimes been controversial in direct marketing circles. The real question becomes the use of the telephone itself. Once your company has decided that it is a good thing to have your customers call you — then the issue of toll-free numbers becomes a moot one. You have the potential to upgrade telephone orders, you can process them more quickly, you can insure that your customers buy exactly what they need, thereby decreasing the aggravation and expense of returning your product. There are a lot of good reasons why you might want your customer to speak with your trained sales and service representatives. Toll-free numbers are essentially the electronic equivalent of the business reply envelope. When you pay for your customer's phone call, you create the desired effect of getting them to place an order by telephone. In fact, it's a lot easier to pick up a telephone than it is to find a mail box.
- Sound personnel training and development must be another goal of any telemarketing operation. This means hiring people who *enjoy* being on the phones, who possess excellent "telephone personalities." Minimal sales training would include several sessions on listening and selling skills. However, product training is critical. The extent of product train-

ing will correspond roughly to the complexity and price of the product or service you are offering.

- A good telecommunications system is really the foundation for any top quality Telemarketing operation. Telecommunications is an area of rapidly changing technology; deregulation of the industry will result in many opportunities for those who stay on top of technological developments.

Some kind of automatic call distribution system is at the heart of any smoothly run inbound Telemarketing program. The ACD, as it is called, has removed much of the guesswork from staffing because of the abundance of statistical data with which to project manpower needs. Knowing how many people are "on the line" waiting to talk with the sales and service reps has revolutionalized marketing departments. This has also allowed companies to improve their levels of customer service significantly while actually reducing overall operating expenses.

Similarly, Call Detail Recording and other telecommunications management software packages are allowing corporations to finally explore the cost-effectiveness of their investments in telephony, department by department. It will be comforting to direct marketers, concerned as they are with precise measurements, to know that they now have the tools to accurately cost out every type of telemarketing program.

Finally, on-line computer systems have provided sales and service reps with up-to-the-minute information for use in conversations with prospects and customers. This has helped move the Telemarketing department further toward the paperless office.

The basic day-to-day programs of an Inbound Telemarketing group are most frequently order taking, lead qualification, dealer referrals and customer service.

Outbound Telemarketing provides the opportunity for sales calls, to upgrade mail orders, do prospecting, or speed up cash flow to the corporation through accounts receivable collection efforts. The Outbound group may also be used to build retail traffic, get appointments for sales reps, and even re-sell customers who have cancelled their orders. Fund raising represents another area where outbound telemarketing has brought dramatic results. And modern market research techniques rest squarely on sound Telemarketing principles.

For those companies which have taken to heart the equation that marketing equals service, there has been an increase in Telemarketing programs of an almost purely customer service nature. Some manufacturers of household appliances, for example, invite their customers to call the factory. They have available trained technical service reps to help "trouble shoot" problems or simply answer questions about how the appliances work.

This type of customer contact will frequently eliminate a service call or a costly exchange of mail correspondence. The customer call provides important market data for the manufacturer and helps generate lasting good will between manufacturer and customer.

Ultimately, only the creative powers of the marketing department will limit the range of Telemarketing programs a company may want to inaugurate. There are any number of potential users for Telemarketing which are yet to be created by those with the need. In fact, a whole new form of Telemarketing looms in the future with the advent of interactive television. Telemarketing is an essential first step into that future.

Miscellaneous Telephone Figures—Consumer

	1980	1981
Total U.S. households	79,870,000	82,368,000
Total main phone numbers	78,273,000	79,492,500
Estimated phone-reachable persons at a given time*	67,393,000	68,443,000
Total phones (including ext.)	134,248,000	134,111,520
Estimated total annual calls made	148,561,000,000	153,768,000,000
Average number of annual calls made per main phone	1,898	1,934
Average number of daily calls made per main phone	5.20	5.3

*13.9% of main phone numbers are not listed

Miscellaneous Telephone Figures—Business

	1980	1981
Total main phone numbers	14,511,000	14,652,000
Total phones	47,907,000	47,780,076
Estimated total annual calls made	134,679,000,000	139,400,000,000
Average number of annual calls made per main phone	9,281	9,514
Average number of annual calls made per phone	2,811	2,917
Average number of business-day calls made per main phone*	35.7	36.6

*Based upon 260 business days per year

Estimated Telephone Expenditures for Telemarketing Applications (Dollars in Millions)

	1980	1981
Residential Originated Local Calls	$ 569	$ 643
Residential Originated Toll Calls	689	775
Business Originated Local Calls	4,144	4,757
Business Originated Toll, WATS, 800* Calls	4,443	5,292
Total	$9,845	$11,467

These figures include a pro-rata share of equipment costs but do not include labor costs. These equipment costs are included in Local Revenues.

*800 Service is a Toll Free service paid by businesses. Therefore, residential (consumer) placed 800 calls are included in this value.

VII. Coupons*

Coupon distributions increased to a record level of 102.4 billion in 1981. This reflects eight straight years of sharp, continuing growth in couponing activity. These distribution figures include regular cents-off coupons issued by manufacturers, but exclude in-ad coupons, which are circulated in retailers' newspaper advertising. Factual data on in-ad coupon distributions are not available but it is generally believed that in-ad coupon activity peaked in 1974 and has declined since then.

As indicated in the following chart, distributions of cents-off coupons in 1981 were up 13% over 1980 following the trend established by coupon distributions in recent years. This rising trend is a reflection of both the increasing utilization of couponing as a marketing tool, and also of the growth in number of manufacturers which use coupons. While there were perhaps 350 couponers in 1960, now over 2,000 companies use coupons as an integral part of their promotional and merchandising strategy. In addition, manufacturers have found it helpful and productive to use coupons on products which they had previously not included in their coupon programs; thus, more and more different types of products are being couponed.

*All information from Nielsen Clearing House, except as noted. Reprinted with permission.

Trend in Coupon Distributions

(Billions of Coupons)

1971	20.3
1972	23.4
1973	27.6
1974	29.8
1975	35.7
1976	45.8
1977	62.2
1978	72.7
1979	81.2
1980	90.6
1981	102.4

Types of Product Manufacturers Issuing Coupons

	%
Food Items	99
Household Products	90
Toiletry Items	73
Drug Products	37

A. Coupons Stimulate Business

As in all business, manufacturers would not be issuing these billions of cents-off coupons if the marketplace were not receptive. Studies of consumer attitudes to coupons reveal that two out of every three households in the United States now use coupons as an integral part of their regular shopping habits because consumers say they:

- Save money
- Tell them about products and encourage them to try new products
- Reduce the cost of the products

Marketers use them to:

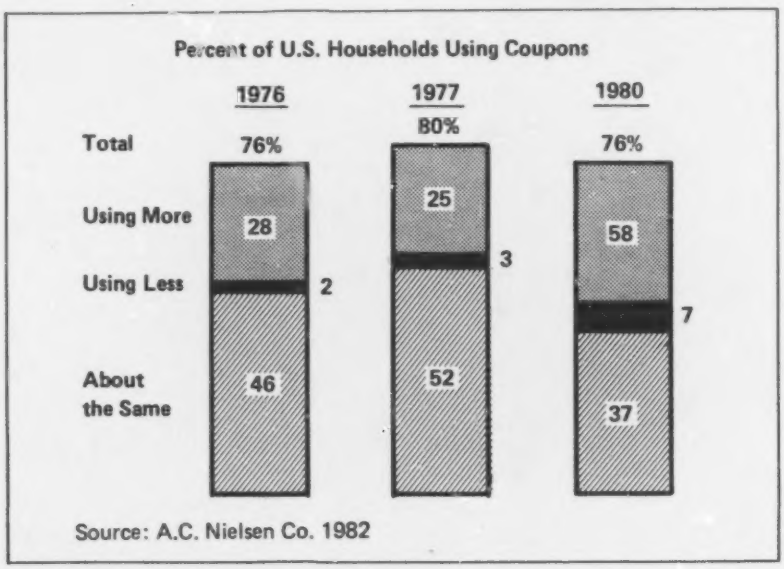
- Improve competitive penetration in a market
- Move out-of-balance inventories
- Stimulate product demand at the retail level as a means of obtaining retailer agreements to stock a product
- Accelerate the introduction and widespread use of a new product
- Obtain new users for an old product

B. More Families Using Coupons

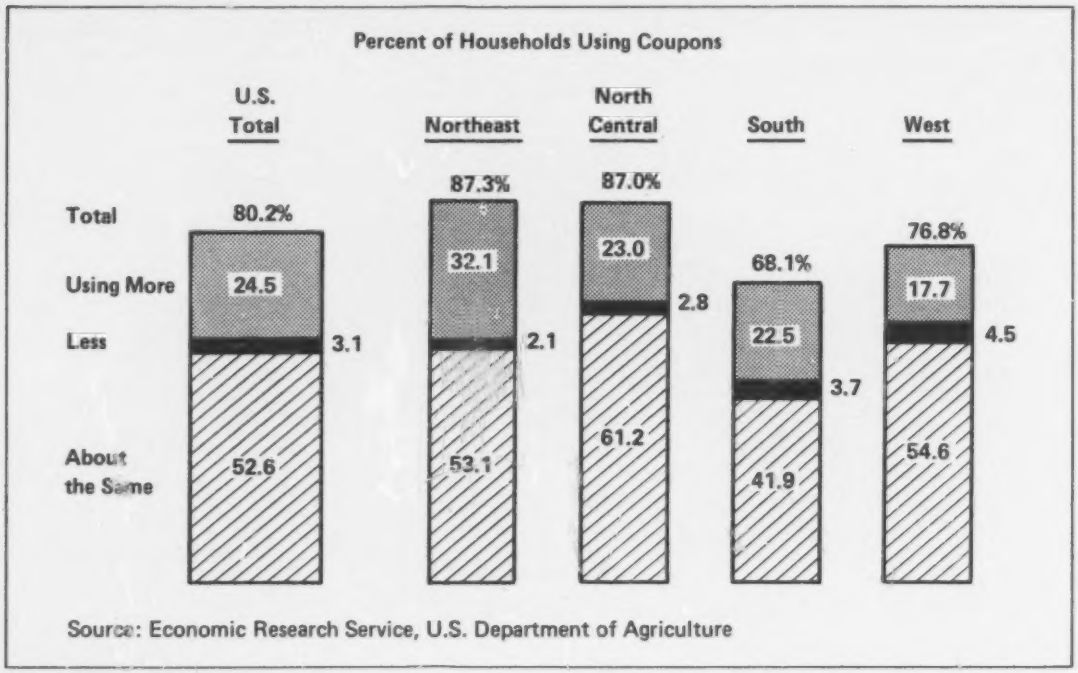
Paralleling this trend, consumer interest in coupons appears to be at an all-time high. According to the latest U.S. Department of Agriculture national survey of 1,433 consumers, four out of five families (80%) are using coupons. The U.S.D.A. survey results summarized here indicate that the percent of U.S. households using coupons increased from 76% in 1976 to 80% in 1977. Moreover, it is significant to note that about one out of three coupon users say they are using more coupons than ever before.

Highlighted here are results of the U.S.D.A. nationwide, personal survey of 1,433 consumers in March 1977. Among various questions, the respondents were asked: "Compared to January 1976, how frequently do you now save and use food coupons?" As shown in the chart below, 80.2% of the total households said they were saving and using coupons. Of particular interest was the breakdown of the number of these consumers who were using more coupons (24.5% of all U.S. families), compared to those who were using less (3.1%). The rest of the coupon users (52.6%) indicated they were using coupons to about the same extent as previously. Thus, nearly one out of three families who use coupons say they are using them more often. The remaining 19.8% of all families said they do not currently use coupons.

Supporting data from the survey provides a breakdown of coupon usage in four regions of the country. This highlights the level of consumer



involvement with coupons in the Northeast and the North Central regions (at 87%), with many of the people in those areas saying they are using more coupons. The South is below average in terms of coupon usage (at 68.1%), while three out of four households in the West (76.8%) indicate they are saving and using coupons. The U.S.D.A. survey results are summarized below:



Source: Economic Research Service, U.S. Department of Agriculture

C. Methods of Coupon Distribution

Along with the expansion in couponing activity, many innovative programs for distributing coupons have been developed and made available to marketers. As a result, a manufacturer can now choose from among many alternative ways to deliver his coupon programs—depending upon his individual needs and objectives.

The following chart shows the division of coupon distributions among the six principal media. Over the years, newspapers have accounted for about 75% of all the coupons in circulation. Daily newspapers carry 45.0% of all coupons in circulation. This reflects the continuing interest in and use of newspaper co-op programs, along with other newspaper couponing options.

Free-standing inserts, which are circulated with the Sunday paper, increased in 1981 to account for 26.2% of total distributions. Weekly and monthly magazines' share of coupons in circulation decreased in 1981 as did direct mail distributions.

Percent of Distributions by Media

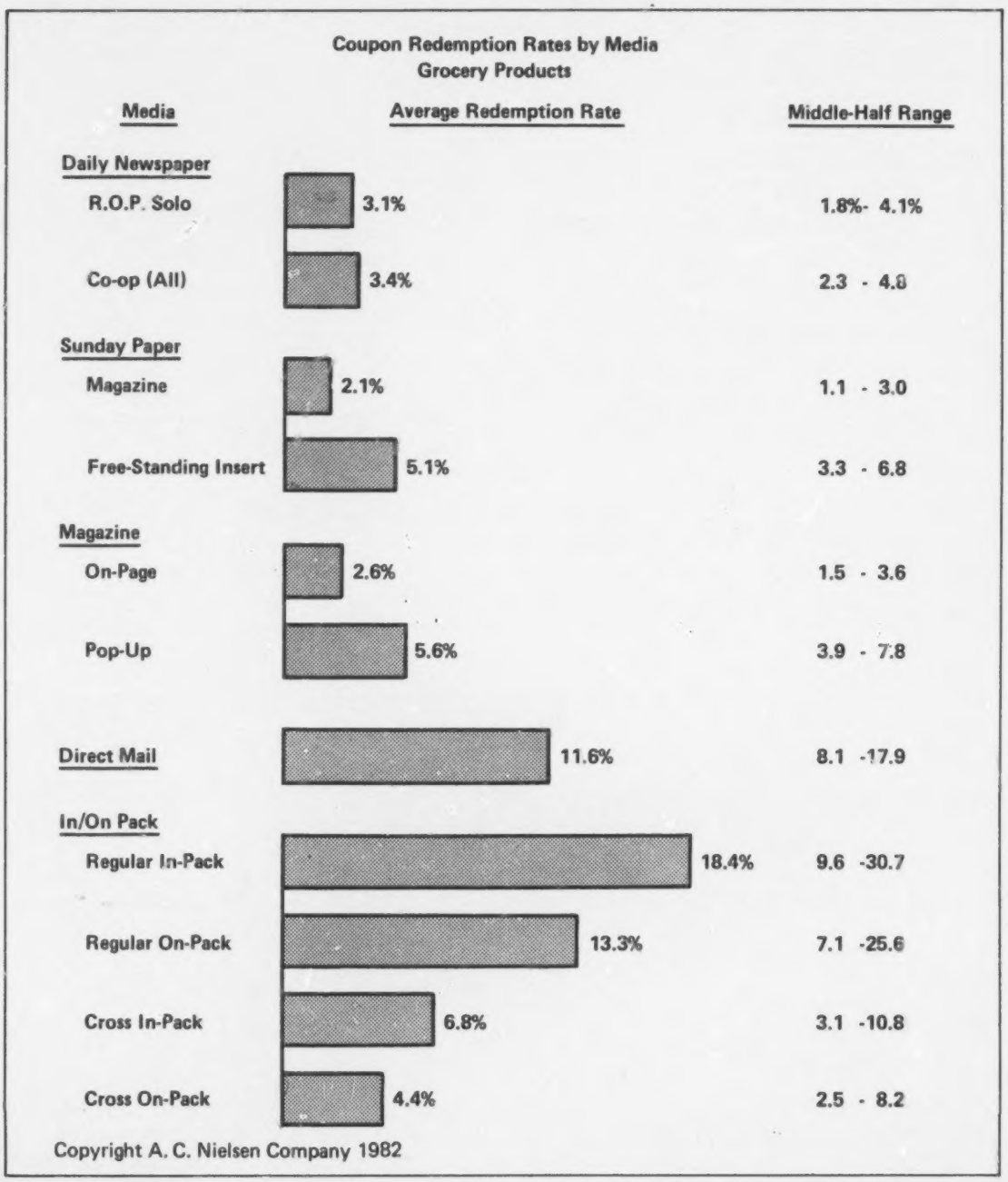
	1976	1977	1978	1979	1980	1981
	(Billions of Coupons)					
	45.8	62.2	72.7	81.2	90.6	102.4
	%	%	%	%	%	%
Newspapers	55.8	56.0	55.6	52.3	48.2	45.0
Sunday Paper	9.5	8.5	7.7	9.5	9.0	7.3
Sun. Free-Stand. Insert	7.2	11.2	13.4	14.9	18.4	26.2
Magazines	15.4	12.5	11.4	12.2	13.3	11.8
Direct Mail	4.1	3.0	3.0	3.2	3.4	3.3
In/On Pack	8.0	8.2	8.9	7.9	7.7	6.4

Source: NCH Report, A. C. Nielsen Co. 1982

D. Redemption Rates By Media — Grocery Products

Now let's consider the redemption rates for the various media we have been discussing. The figures in the accompanying chart show the average response rate for offers circulated in each medium. The findings are based on a wide cross section of grocery coupon promotions drawn from the NCH data bank. They reflect the results from more than 48,000 different coupon programs covering a broad representative group of grocery products.

The chart below indicates how the "typical" or average coupon redeems in each medium. ROP newspaper coupons (i.e., those which appear as a single offer in a manufacturer's advertisement) redeem at an average rate of 3.1%. Newspaper co-op coupons (i.e., multiple offers in a co-op format) pull stronger, at 3.4%. Coupons included in Sunday supplement magazines redeem at 2.1%, while those circulated in pre-printed or free-



Copyright A. C. Nielsen Company 1982

standing inserts redeem at a rate of 5.1%.

It will be noted that pop-up or tip-in magazine coupons pull more than twice as many redemptions as on-page magazine coupons (5.6% vs. 2.6%); but it must also be kept in mind that there is a cost factor involved in using the pop-up technique. Finally, it is seen that direct mail coupons pull higher, on the average, than newspaper or magazine offers, with an average redemption rate of 11.6%. Here again, there is a cost differential to take into account when comparing the relative response rates for these couponing vehicles.

Given their target audience, it is not surprising that regular in/on pack coupons (good on the same product) achieve the highest redemption levels of all at 18.4% and 13.3% respectively. Cross coupon offers, which are good on a different product than the carrier brand and are used primarily as a sampling device, achieve a respectable redemption rate of 6.8% for in-pack cross coupons and 4.4% for on-pack cross coupons.

E. Coupon Face Values

Along with the expansion in couponing activity and growth in number of coupon programs/vehicles available to marketers, there have also been changes in the make-up of face values used on coupons.

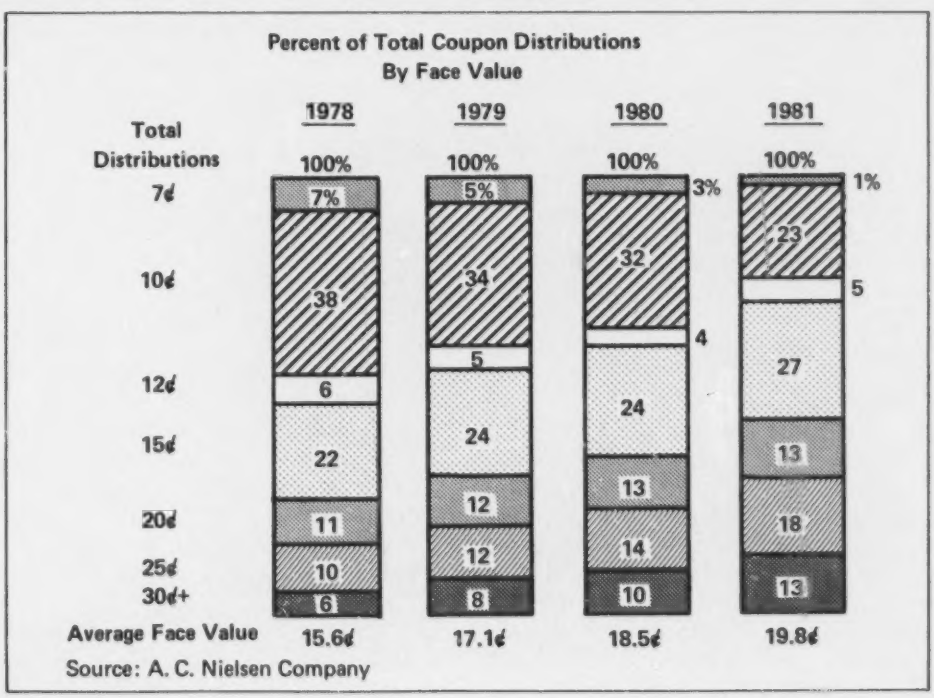
Manufacturers are exercising more selectivity and originality in designing their coupon promotions from the standpoint of distribution vehicles, coupon design and placement, and with respect to its value.

Reflecting the steady rise in grocery prices, we have seen a gradual increase in the average face value of coupons distributed by manufacturers; the typical coupon now averages 19.8¢. The 15¢ coupons are becoming the dominant face value in grocery coupon promotions. The 7¢ and 10¢ face values experienced substantial decreases in their respective shares of grocery coupons circulated in 1981.

F. Misredemption

Misredemption is the major problem confronting couponers. Traditionally, those coupons delivered by direct mail have the lowest misredemption rate. Because they are enclosed in a sealed envelope and addressed to a particular person or family, there is much less opportunity for individuals who specialize in fraudulently using coupons to lay hands on them.

In recent years, newsletters and mail clubs have sprung up with the sole objective of collecting and exchanging coupons. Often, entire shopping sections of newspapers are collected in bulk for on-page coupons which are then exchanged in bulk with the connivance of some employees of various retailers. On the whole, however, the clubs appear to operate in a fairly straightforward manner.



VIII. Special Media

There is a host of additional media possibilities for direct marketers. What separates these specialized media from the primary media is that building a business with them is generally impossible.

While the total costs for these special media are far cheaper than solo direct mail, the response is also far less. Nevertheless, as extensions to a company's sustained use of direct mail or space, it is often possible to add profit promotions with relatively modest expenditures.

Here is a summary of special media opportunities as outlined by Leon Henry, a leading broker:

A. Package Inserts

By their name, these are packages being delivered to customers. Depending upon the way in which the purchase transpired, the packages—and the advertising inserts therein—are delivered to mail order or retail buyers. The packages will naturally vary in size, weight and method of delivery—mail, UPS, etc. They'll be from well-known company names such as Drawing Board, Spencer Gifts, or exotic ones such as LeJardin du Gourmet (shallots), Atlas (pencils) or Wecolite (kitchen gadgets).

The number of inserts will vary from four to six or seven. They will be loose or contained within a folder; with or without house inserts. The cost to participate will average $35/M ($25-$40). The quantity per year from 50M to 6MM. Responses range from two orders/M to 30 depending in great part on the efficiency of the advertiser's insert, the other inserts (there should be no direct competition), and the correlation of insert to audience. Mail order-sold packages will draw better than retail-sold. Female offers will work well in men's and business packages, but the opposite is usually not true.

B. CO-OP Mailings

By definition, a co-op mailing is a non-competitive group of advertisers mailing together to *reduce costs* and reach the same prospective customers. If it is run by a company where the primary purpose is to mail a catalog or announcement, it should be called a *Ride-Along*. Co-ops range from Carol Wright to Upper Midwest Mailers which run predictably and at a reasonable price to the one-shots and speciality industry co-ops. Average price is now $25/M whereas it used to be $10-$15/M. Response is less than in packages but the amount of distribution in a shorter period of time is much greater.

Ride-Alongs such as Ambassador Leather Goods usually go for less than Co-ops. Since the sponsor must have his catalog or mailing out on specified dates, the reliability of delivery is usually better and the readership may be better. Other well known ride-alongs are Columbia Record Club and Mystic Photo.

C. Statement Stuffers

Statement stuffers are just what they sound like and range from magazine renewals to business invoices through and including bank statements and department store bills. You've seen them when you open your credit card bills. The price ranges from $15 to $40/M. Quantities are high among the large circulation publications and low with speciality stores and smaller magazines. Response to your stuffer—which has to be smaller (usually 3" x 6") can be better than package inserts. Deliverability is assured because most statements go first class. Readability is high, competition low because there are a limited number of spaces available to keep total mailing weight below one ounce.

D. Acknowledgements

An acknowledgement is a variation of the statement stuffer. It works well. Unfortunately there are very few available.

E. Circulars

A relatively new development is the circular. Many mailing houses will stuff inserts into the circular being mailed or delivered usually as a "shopper" to occupants within a retailer's trading area. Prices range from $15-25/M. Quantities are large and reliability of delivery has proven effective if the repeats are any judge. The pinpoint accuracy of delivery by ZIP and even by street, in some cases, is the biggest selling point. Drawback is the preponderance of circulars available in C & D counties and inability to blanket the country. Coverage is spotty.

F. Door-to-Door

Door-to-door is an effective medium when price is right—below $15/M. Very few such distributions

are totally reliable. But there are some. Use ranges from delivering direct mail solicitations to owners of frame houses for a prominent paint manufacturer to obtain leads for salesmen to the regular subscription and mail order offers.

G. Sampling

There are a variety of sampling distributions and all are good. Markets where there is high penetration include mothers, college and high school students and senior citizens. Prices range from $25-$38/M and inserts usually accompany cosmetic or food samples. Best known is the World of Beauty which at one time did 12MM/yr. Variations are the $1-offers of small size samples and envelopes stuffed with coupons and sent to occupant such as "On Target" and Val Pak or to preinterviewed householders such as Consumer Surveys.

H. Catalog Bind-Ins

These are becoming a viable phenomenon. Business mailers and nurseries were the first to accept inserts, now the general merchandise houses are accepting both inserts and space ads. Prices are negotiable but average $20/M. Numbers are necessarily high initially because of bindery restrictions, so tests are also large. Response varies widely. Means of insertion range from "bind in" to "blow in" and in some cases specially printed inserts are needed, upping cost. Aldens and Spencers are the originators of space ads. Prices range from $3-$15/M.

I. Postcard Mailings

The postcard mailing is a subject in itself. Available from nearly every industrial magazine as "loose decks" of cards. Also as 3-up bound postal card magazines. A growing phenomenon in our discussion of distribution of direct mail offers.

IX. Lists: Keystone of Direct Mail

by Rose Harper
The Kleid Company

Lists—the medium in direct mail. By definition: "a series of names or other items written or printed together in a *meaningful grouping* so as to constitute a record." From the conference agenda to the grocery list, to the New York Stock Exchange Trading List—the list is a basic way to organize what would otherwise be random material, to tell us, concisely, what it's important to know.

Direct Marketing probably began with a list or two: a list of small, readily-portable, essential items that an itinerant peddler could stow in a backpack and vend from farm to farm. En route, he'd make up another list of most-wanted items to restock or add, slow movers to phase out, even "special oders" for future delivery. He learned at first hand who his best customers were and how to anticipate their needs; and if he used his *lists* wisely, he could work his way up from knapsack to wagon to a well-located store to founding of a mercantile empire.

The entrepreneurial list brokers had an important part in the development of direct mail marketing by bringing *lists* into the marketplace. They saw a list of names where others saw only a method of licensing automobiles, having a baby, delivering magazines, giving away a free booklet or selling a product. In essence, however, no transaction was what it appeared to be—it was what it appeared to be plus a list. It was assumed that people who had enough in common to be on the same list, had enough in common to constitute an identifiable market for some product.

Fundamentaly, there are two broad classes of lists: (1) Internal Lists and (2) External Lists.

- Internal lists (popularly known as the House file) include customers, former customers, subscribers, contributors, trials, inquiries, prospects, employees, stockholders.
- External lists include compiled and direct-response lists.

A. Internal Files (House Files)

The Internal file—the customer file—is a significant company asset. If you're introducing something new, it's usually your best test market.

However, to utilize this asset properly, it is essential to develop definitive data. With today's technology, a mailer can key his response to tell him a great deal about any person who buys from him.

You know something immediately about your customer if you know whether the response came as a result of a direct mail solicitation, space, TV, radio, inserts telephone, co-ops, etc. This is known as "source evaluation"—and is the most basic segmentation—but not enough.

Of an internal list it can be said that a list is a "meaningful grouping" only if it's small. The larger the universe, the wider your range of offerings, the more variegated your customer universe, the less homogeneous. Therefore, more attention must be paid to understanding and isolating the *market segments* of that universe.

For proper segmentation, additional factors must be added to source evaluation: recency, frequency and monetary value. Through the mathematical technique of Regression Analysis, you can, as one veteran marketer described it, "pick them by their batting average." Pruning your list by this RFM formula, you can keep the steady .280 hitters who are the backbone of your business, *not* lose the low-average batter who wins 40 games with a sudden home run and eliminate the person who can't pull his weight. The RFM formula is one of the most widely used segmentation techniques.

But how do you add psychographic detailing? If you're selling merchandise—by the *type* of product purchased. For example: sports, fashion, gourmet, travel, electronics, photography, health, physical fitness. To a great degree, this type of category definition applies to books and can also be extended to business and financial services.

In source evaluation, lifestyle and psychographic detailing can be accomplished by: (1) recording the category of the list from which the response came (sports, travel, news, art, literary, etc.), (2) recording the category of the magazine in which the space ad appeared, (3) the programming environment of the broadcast commercial from which the response generated.

These are just a few factors, but there are others which can be employed based on the dynamics of the particular business.

If we recognize that all customers do not respond in a common manner, there is much to be learned by applying research techniques when analyzing results of mailings to house files.

The more you know about your customers, the easier it will be to develop the criteria to be used in selecting outside (external) lists.

B. External Lists

External lists include both compiled and direct response lists.

Compiled lists, while they do not necessarily represent direct mail buyers, do have common characteristics which define a market. If your offer is specifically aimed at a special group—doctors, commercial pilots, new mothers, college students, etc.—compiled lists can deliver the potential audience.

Another part of the compiled-list spectrum is "City Directory" information and Household Census lists based on door-to-door canvassing in specific geographic areas.

Then, there are the *Stratified Lists*—compiled from street-address directories and keyed to census-tract data. The census tract is a relatively small area, since the idea is to make each tract homogeneous in terms of demographics: income, education, age group, family size. The theory is that "clustering" is characteristic of group behavior: although individuals move into and out of the tract, the neighborhood doesn't change.

In the *business* market, the compilations are very extensive. For example, you can reach practically every business entity in the U.S. selected by SIC codes. (This Standard Industrial Classification is a U.S. Government coding system designed to identify industry groups by function and product.) These codes enable the marketer to segment and analyze by industry.

Also available are compilations of Manufacturers, Wholesalers, Retailers, Service Firms, etc. based on Net Worth, Sales, Number of Employees.

In most of these compilations, individual names are not available and title addressing is used. However, there is a large pool of business compilation where individual names and titles are available.

By properly-structured test mailings and careful result analysis, the business-to-business mailer can identify potential markets through these compilations which cover all of U.S. business in a variety of segmented targets. Catalogs are available from most compilers upon request.

The *diversity* of *direct response* lists available in the marketplace is awesome—and covers both the consumer and business markets. With the sophisticated list segmentation available, there are about 100,000 different entities of names available, covering at least 70 different list categories.

This wide variety covers a range of interests: Cultural books and magazines, hobbies and related subjects, collectibles, home interest, how-to, business books, business magazines, recorded business information, financial publications and services, credit cards, career & business improve-

ment seminars, regional publications, education, technical, professional, business services and supplies, record clubs, electronics, luxury foods, entertainment, low and high ticket merchandise, health, physical fitness, metaphysical, science fiction, and a score of others.

By selecting the proper external list of direct response names, an offer can be mailed to people who have, by some action, revealed an associative interest. For example, to sell toys, the lists selected should reveal the presence of children in the family because these response-names have bought juvenile books, publications and/or "parent" products. Lacking the demonstrated presence of children in the home you might "luck out" once in 15 or 20 tries—and that's expensive research. Today's typical mailing represents an investment of about, on average, $275 per thousand which, on a 5,000 test, represents $1,375 for each test unit.

Test lists qualitatively. Remember that in addition to testing "lists," markets are being tested. Apply an interest category definition to each list being tested in order to establish which markets (interest) have an affinity to the product being sold.

Computer technology has provided the ability to segment lists for more targeted marketing to prospects with a high probability of purchase: The result—smaller—but more frequent and effective mailings. Selections are available according to ZIP code, recency, frequency, dollar volume, type of item purchased, changes of address, source of names, sex, etc. Technology also developed the technique currently in practice on a large scale for removing duplications against house files and among lists.

The descriptive detailing of lists appears on a "data card." The list rental rate, quoted on a per-thousand name basis, ranges between $35 and $60 with the average price about $45. Selection charges are usually extra.

Almost 99% of all list rental or list exchange transactions are for *one-time* use only for an approved mailing on a specific mail date. Most list owners require prior approval of the mailing piece to be used. It is customary practice to protect the mailing for one week before and one week after the specified mail date.

Creative selectivity and *analysis* of lists is one of the most critical factors in the profitability of direct mail marketing. The fact that direct mail is measurable is a key to its success and record-keeping is an important aspect of the total picture. Each list must be assigned a unique key number on the return document so that responses can be recorded against the correct list. In addition, it is essential to any direct mail program to set up the mechanism to analyze results in a meaningful way. Responses must be both qualified with careful attention paid to the meaning and interpretation of the results. Sometimes there are shadows behind the statistics and averages that require in-depth interpretation.

Forecasting your needs: In structuring a mailing plan, it is essential that response be projected list by list based on previous response. Careful attention must be paid to the assumptions used: seasonality, repeat usage, price increase, new package, etc. Whatever assumptions are used, be aware that they will not apply consistently across all of the lists. It is essential, too, that cost parameters be set which establish guidelines on how much you can afford to pay for an order. And include in the equation, if possible, the lifetime value of a customer. Only on this basis can the "risk/reward" factor of including or not including a particular list be evaluated.

Only by understanding list markets as they exist—and relating and analyzing potential list markets against the existing markets—can projections be made on a sound basis.

Times, marketing, and technology have changed and will continue to change. The factors of lifestyle and psychographic applications have assumed an importance over and above pure demography and even societal trends. Both of the latter have the tendency to view market "groups" as being homogeneous. Not true. It's unreasonable to assume that descriptive groups such as working women, the maturity market, urbanites, the affluent, teen-agers and other groups have the same needs, wants, motivations and desires.

The changes in communications and technology, will impact the growing importance of the interactivity between lists and other direct response media. Lists are an important factor in telephone sales and for space and TV support.

In the cosmos of lists, we must determine—logically and practically—who our customers are. This can only be accomplished with *knowledge*.

8

The New Technology

by

Henry R. Hoke, Jr.

Hoke Communications, Inc.

Few people would challenge the notion that we are entering an era of profound change in communications. Newspaper, magazine and book publishers are uneasy about this rapidly developing technology, even as they themselves experiment with some of these new forms. The postal services of the world are being told their years are numbered, even as they watch mail volumes rise, although not in line with the growth of total communications volume. Printers fret that their industry may become obsolete by the home computer and two-way interactive television systems. They see lasers and satellites transmitting information in microseconds, while costs rise in shipping paper in an unreliable timeframe.

Thoughtful people wonder about our institutions as the public is provided the tools of access to just that information with which they wish to fill their time. Direct mail advertisers question how these alternatives will affect their ability to reach precise audiences with the right message at the right time with letters, catalogs and brochures.

Those retailers who today lean heavily on mail order methods for a high percentage of sales wonder how these new systems will permit them to conduct a national business serving a specific group of consumers. The questions are all the same. What will the world of communication be like when we are shipping signals rather than paper?

Cornerstone of the new technology is the computer and the advances being made toward equipment miniaturization. Equipment that once required a large air-conditioned room has been reduced to little more than a desk-top configuration of terminals and printers. The cost of providing storage for data has plummeted and continues to do so as manufacturers come on-line with chips and bubble memories. Thus, the ability to store vast amounts of information, keep it up-to-date, provide retrievable access to such information and then transport it at lightning speeds on demand is spawning new relationships.

A. Electronic Funds Transfer

Electronic Funds Transfer (EFT) is a complex subject involving many different industries as well as different technologies, laws, regulations and markets. However, the primary impact of EFT is upon the industries of retailing and banking, and upon the consumer.

EFT is a group of innovative methods of gathering and processing transaction-related data. Collectively, these methods constitute an alternative payments system in which the processing and communications necessary to effect economic exchange are dependent wholly or partially on the use of electronics. As a generic term, electronic funds transfer has come to include financial activities which are facilitated by means of electronics, such as the authorization of check or credit card transactions, the capture of transaction data at the retail point-of-sale and similar operations. It is this category, sometimes called "near-EFT," which includes on-line bank credit card authorization.

The initial impetus behind the development of EFT was an effort by the banking industry to reduce the ever-increasing volume of paper items and related processing costs. Today, EFT services are marketed because they represent an opportunity for bankers and merchants to provide payment services which are convenient for consumers to use while being highly efficient to

operate. The convenience of EFT services encourages the growth of deposits at banks and an increase in the number of shoppers who patronize the stores where EFT services are offered.

By using EFT, a consumer can authorize his financial organization to pay a recurring obligation, such as a utility bill, a mortgage payment or an insurance premium. This relieves the consumer of the inconvenience and cost of paying bills by check. The recipient company and the financial organization also enjoy reduced costs in processing the transaction. A variation on this service, called telephone bill-payment systems, allows a consumer to initiate a payment for his home telephone in variable amounts. These systems have proven to be very popular with consumers.

Similarly, EFT allows a consumer to receive payments automatically. These recurring payments are facilitated by a network of automated clearing houses as established by the Federal Reserve System. Consumers find that the payments eliminate unnecessary delays as well as problems associated with lost or stolen checks, and also resolve concern about how checks will be deposited in the consumer's absence if, for example, he is on vacation.

This service, referred to as direct deposit, is most commonly used for employee payrolls and for government-recurring payments such as social security and veterans' benefits. It is significant that over 20 percent of the eligible recipients of social security payments have elected to receive their payments by EFT since the inception of the U.S. Treasury's direct deposit program in 1975.

EFT systems also serve the consumer in retail locations through terminals offering EFT information services. A check can be approved or guaranteed rapidly and reliably, making the conventional personal check more acceptable as payment for goods and services. Instantaneous transfers of funds between the consumer and the merchant can be effected by means of a plastic "debit card" which has direct access to the consumer's account at his financial organization.

Evidence of EFT development can be seen throughout the United States in the form of automated teller machines (ATM's), many of which are currently in operation in locations such as airports and shopping centers, as well as through the wall of bank branches. These machines provide a convenient way to obtain cash, make deposits and perform other simple financial transactions—and are often available 24 hours a day.

Credit services may be improved by means of EFT. By providing direct access to better information about the creditworthiness of buyers, there can be a substantial improvement in the control and cost-effectiveness of consumer credit, particularly at the retail point-of-scale.

Although EFT cannot be expected to revolutionize economic exchange nor to supplant existing payment methods totally, it is expected by many experts to evolve into the dominant payment method within the next decade. For example, Arthur D. Little, Inc., Cambridge, MA, the noted research and consulting firm, has estimated that EFT transactions will represent 17 percent of all transactions by 1980 and 70 percent of all transactions by 1990.

B. Cable TV

Communications watchers have shown interest in several areas which are but stepping-stones to an orderly universal system of interrelated electronic networks.

Cable TV was, and is, such a stepping-stone, though its development has been disappointing. Today, 22 million homes of some 75 million are hooked up to a cable to receive a wider array of channels than available on broadcast TV. 40 million homes are equipped with coaxial cable. Large investments in laying cable have yet to be made. This major investment may well be avoided by the advent of small, inexpensive "dishes" by which pictures and messages could be beamed and received from satellites. For the average house dweller, however, that seems a distant dream.

An experiment at WTCG-TV in Atlanta has generated an unusual amount of interest in this idea. The station has linked technology to provide a new service operating 24 hours a day, seven days a week. It is programmed for Middle America. WTCG-TV contracted with Southern Satellite Systems to take its programming and beam it to satellites. Cable stations who own such a receiving "dish" can receive these Atlanta signal originations.

The station then contracted for a toll-free telephone answering service which it offered direct response advertisers as a unique "800" number for their commercials. Responses from cabled areas all over the country were accepted in Atlanta, accounted for and forwarded to advertisers. This was the first time that a single, local station could track such activity and charge advertisers for the expanded reach provided.

C. QUBE

QUBE is a Cable-TV experiment launched by Warner Communications on December 1, 1977

in Columbus, Ohio. It was a first in providing Cable-TV subscribers with a two-way interactive system by which the subscriber, armed with a keypad, could answer questions posed on the TV screen. The keypad, in addition to providing 30 channel selection buttons, also provides five additional buttons (1 through 5) for response. It was heralded as a new age of active participation with the TV set. An article in the September 30, 1981 issue of *The Wall Street Journal* reports much disappointment and little usage of the response feature.

QUBE will not permit the viewer to access information databases as can Videotex. The viewer can only respond to questions presented on the TV screen with up to five answers. Few of the 31,000 households of the 100,000 in QUBE's territory find enough programming to intereact with. The most successful programs have been opinion polling like the poll taken after a July 1979 speech of President Jimmy Carter.

QUBE subscribers have bought books and other things shown on a shopping show. But this has not proven cost effective for advertisers. American Express' Merchandising Sales Division failed to achieve much response in an experiment two years ago offering catalog merchandise at Christmas time.

QUBE's greatest success was in attracting American Express to a joint venture with Warner. A year ago, Warner's Cable-TV enterprise became Warner-Amex Cable Communications, Inc. QUBE has also been a powerful incentive or gimmick for communities to select Warner-Amex over other cable companies in providing cable service. Warner-Amex has won, and is hooking-up in Dallas, and next year will wire Pittsburgh, Houston and Cincinnati.

Subscribers to QUBE pay an initial $19.95 installation fee plus a monthly service charge of $10.95. This provides many channels of regular television. For an extra "box office" fee, subscribers can watch first run movies.

Will QUBE offer videotex one day? Perhaps but the necessary equipment at stations is expensive. Capital now is being used to wire new franchises. Today coaxial cable cannot handle the transmissions which would be needed to combine regular video as well as teletext capacity. Engineers say wait for fiber optics, the alternative to wire. If and when optical fiber cable becomes reality, the consumer will have the ultimate: regular TV programming on up to 100 channels, access to immense and varied databases on demand, plus access to video disc storage which can provide 4-color stills, movies and sound of entertainment, and purchase needs.

When can this happen universally? No one really knows. Perhaps ten to twenty years although experiments could begin anytime in a single community yet to be wired. You can bet Warner-Amex has this potential set somewhere in its game plan.

D. Viewdata

In use now is the first generic term for low-cost, two-way, interactive communication systems linking one or more databases by telephone lines to an ordinary television set slightly modified. The new term, adopted in 1981, is VIDEOTEX for phone-connected database to a TV set or terminal. It differs from Teletext. Teletext provides the same kind of textual information but is transmitted over the air (broadcast) one way only. Videotex however provides access to unlimited amounts of information, where teletex offers only a hundred pages of information at any moment of time. Both systems provide a numeric keypad to the viewer. With videotex, the viewer can explore databases and is fully interactive. The viewer can also be equipped with a keyboard used in transactional routines, in sending messages (letters). A printer can be attached to the TV or terminal, so that what appears on the screen can be printed out in hard copy.

The system provides the viewer an opportunity to retrieve only that information wanted 24 hours a day, seven days a week. The first such system started up in England in 1979, developed and controlled by the PTT, the government owned Postal and Telegraph service. Called Prestel, the British system began service with some 1,500 viewers, mostly businesses. Today, there are some 12,000 viewers heavily weighted to business users. The PTT provides computer storage of information for some 200 Information Providers . . . publishers of newspapers and magazines, travel services, banks, American Express. Any kind of business can store its information on the system for a fee for pages of information. The viewer pays anywhere from 0¢ to 10¢ a frame plus telephone line charges and is billed by the PTT—0¢ for advertising and a range of prices for hard information. The information provider is paid a portion of the "page" price.

Available on Prestel are news, business and general, travel information, classified ads, encyclopedia, stock, bond and commodity prices, games, restaurant guides, transactional routines. The material is presented in colorful textual and graphic formats but is accompanied by no sound nor moving pictures.

The British system has been bought by the

PTT's in Germany, Holland, Switzerland, Italy, Australia for their own first experiments. France has developed its own system called Teletel. France has, also, announced that it intends to install a terminal free in all 30 million homes by 1990. A test site outside of Paris is already in operation. The free terminal will permit citizens to access telephone numbers nationwide in exchange for giving up the paper telephone directory—usually a local directory for use within a single town. The French Government believes it can save money in providing a terminal rather than continue compiling, typesetting, printing and distributing paper directories.

Teletel is like Prestel but with better resolution and graphics. It will house a similar database of information. Canada has, likewise, developed its own high resolution system, Telidon. During 1981, Informat, a division of Torstar (Toronto), has launched Grassroots using Telidon technology in Manitoba. TV sets and keypads have been supplied to 250 farmers who can access a wide variety of news, farm-related information, purchasing options. Informat is an umbrella information provider, a business concept not unlike an advertising agency. Informat will consult with businesses to explore what kind of information might be useful to store on accessible databases, then develop marketing strategies and design the pages of information.

In the U.S., Knight-Ridder and AT&T have completed the second phase of a market trial experiment in Coral Gables, Florida. AT&T provided the sets, technology, and transmission while Knight-Ridder provided the database and operated as an umbrella information provider.

The Coral Gables experiment was billed as research during which time some 30 keypad plus keyboard and TV sets were rotated among 250 homes to gather information as to public interest. JCPenney, Sears, a bank, travel service, Service Merchandise, a medical encyclopedia publisher participated in the effort. Results of the experiments are hard to come by. The information is proprietary. However, Knight-Ridder has announced a greatly expanded effort to start in the fall of 1983, expanding its available frames from 18,000 to about 150,000.

AT&T has recently announced a joint venture with CBS for an experiment in New Jersey in Mid-'82. The most exciting news comes from Germany, there called Bildschirmtext. Alfred Gerardi, Donnelley-Gerardi of Ettlingen, has successfully aroused interest among 2,000 videotext users in Deusseldorf and another 2,000 in West Berlin. Gerardi has several routines providing service to 20 catalog houses. The public can shop by accessing product categories. The system tells the viewer which catalogs carry the desired merchandise, which can then be ordered. In October, his Tele Fortuna provided entertainment and a chance to win in a weekly "Lottery." 1,200 viewers have asked for a special number. Each week, a number is drawn. Each week, viewers can access the Fortuna page and find out if their number has been drawn. Winners receive $15 worth of merchandise. More than 1,000 viewers access this page each week.

The fact that nearly every home has a TV and telephone, the hardware in place, is capturing a great deal of attention among the banking, insurance and publishing fields. Will this be a visible method of expanding markets, a hedge against the decline in postal service worldwide? Some observers think so. The stakes are huge. The players are among the world's largest businesses. They are pouring tens of millions into development. The idea is not escaping them that these systems are compatible worldwide, providing new marketing opportunities.

Teletext

Teletext is a generic term for broadcasting of text information. A loop of up to 200 frames is broadcast continually; a page or frame at a time at high speed. The viewer, using a numeric keypad, can key a frame number and grab the desired page as it passes in the broadcast loop. A one-way interactive system, it is useful for transmitting news, weather, stock tables, and standard news information.

E. Digital Broadcasting

Private enterprise is in full pursuit of supplying an electronic network which, in many instances, will lessen the reliance on the "paper network." Of some interest several years ago was an experiment of Digital Broadcasting Corporation, McLean, VA, which envisioned a business having a communications mini-computer in-house capable of sending messages singly or in bulk to "mailing lists" via telephone lines. The sender dials a local telephone number which has access to a time-sharing telephone network. The transmission is then routed through a computer in McLean, which re-routes the message for a specific address to an FM station closest to the delivery destination. At the FM station, the phone (digital) signal goes out over the air and is received by a unique FM receiver at the home or office of destination. The receiver is attached, to any one of a variety of line printers that prints from 30 characters per second to 300 words per

second—all in an instant of time between sending and receiving. Digital Broadcasting was the brainchild of William Von Meister, who was involved in the early days of Mailgram with Western Union.

F. Printing Techniques

The printing industry today is feeling the impact of a fast changing technology. We are a generation of individuals who have faced nothing but changes in the way we work and in the way we live. Within our lifetime, there have been more technological innovations than ever before in the history of man.

1. The Impact of Technology

To develop this perspective, we refer to *Future Shock**, by Alvin Toffler, who has observed that:

If the last 50,000 years of man's existence were divided into lifetimes of approximately 62 years each, there have been about 800 such lifetimes. Of these 800, fully 650 were spent in caves. He further points out that:

- ***Only in the last 70 lifetimes has man been able to communicate using the written word.***
- ***Only during the last six was the printed word available.***
- ***Only in the last four lifetimes has man been able to accurately measure time.***
- ***And only in the last two has anyone anywhere used an electric motor. Yet today we measure distance in minutes instead of miles; take the existence of electronics for granted; and matter-of-factly put people on the moon. A good portion of these changes in technology have come about because of the presence of computers and the power of electronic computing.***

Every facet of the printing industry will benefit from the acceleration of technology we are experiencing today, and which will continue into the foreseeable future. As in the past, printers will use this technology to cushion the impact of rapidly increasing costs of labor, material, equipment and distribution of the printed product. In addition to these pressures, the printer must utilize existing and future technologies that will conserve energy and protect the environment. The technology explosion occurring in the world today provides us both the opportunity and the obligation to examine our operations and to improve them.

*Future Shock, copyright 1970. Alvin Toffler. Reprinted with permission of Random House, Inc.

2. Computerized Typesetting

The major changes that have taken place in typesetting and page composition are staggering; they provide some insight in dealing with future technology changes. Two great lessons can be learned by looking back at the development and acceptance of computerized typesetting:

- The change in typesetting technology provided the opportunity to modify the traditional role of publisher and typesetter; and
- Those who have benefited most from new technology have been those who re-examined typesetting as part of the total publishing function and took advantage of the opportunity to redefine their role.

The publisher and printer, who have worked closely together and redefined the objectives and the methodology of typesetting to their mutual benefit, have generally been more successful at optimizing the use of this technology than the publisher or printer who has rigidly adhered to doing things the "old way," and used a high-speed cathode ray tube character generator as though it were nothing more than a fast linotype machine. So it will be with the technology of the future.

Those who use the "new" as an exact replacement for the "old" will end up with only a new way of doing an old chore. The publisher and printer who work together to exploit new technology to its fullest will not only operate more economically but will also find themselves with processes, products and services that never existed before. Let's take a look at some of the changes that are under development now and may be available in the next several years.

3. Changes In Press Technology

The most dramatic change will occur in the prepress area. Electronic image processing has been developed as a by-product of the effort to explore the moon and our neighboring planets. The geometric drop in the cost of computer power and data storage will make this technology economically available to the printing industry. The ability to use electronic, rather than photographic, image processing will result in lower cost, more precise control and faster turn-around time.

In the near future, it will be possible to take a color picture, separate it into printing colors, perform color correction, and then combine several images into a single page in digital form. Color "pictures" stored as digital data will permit this data to be transmitted over long distances. It will also be possible to make the color correction

and page makeup at one location, and then have the data transmitted to one or several regional printing centers across the country or around the world.

To make a printing surface, the digital information can be used to control a mechanical engraving device such as is now used for gravure cylinders. Laser offset platemakers are under development and should be of suitable quality for color lithography. Work is also being done on laser and electron beams for engraving gravure cylinders or exposing offset plates. The entire range of pre-press activity will be changed by these developments. The publisher will have the opportunity to be more intimately involved. And typesetting and image processing will become more integrated than they are today, incorporating studio operations into these functions directly.

Press technology itself may also change. Earlier efforts to develop waterless plates for lithography, or "dryography", were unsuccessful. In the future, waterless plates and a simplified inking system offer the potential for faster make-readies and reduced paper waste in the offset process. In gravure, wraparound plates or segmented cylinders can be expected within a few years along with improved press controls. The trend will be towards "closed loop controls." These systems will not only inform the pressman of a variation from standard running condition, but will correct the variation by itself.

4. Ink-Jet Printing

The bindery will also benefit from improved controls. Better ways of labeling and mailing are already under development. However, ink-jet printing for labeling is here today. Besides labeling, the ink-jet printer can provide additional information on the order form. The mailer has the opportunity to preprint his customer's name and address and also provide for additional personalized information. This information could include the identity of the mailing list source for the customer's name and orders, determine that customer's buying pattern and, for future mailing pieces, include only the catalog or magazine editorial edition containing the products or information that customer has historically shown an interest in. Selectronic insertion of signatures in the binding process provides the ability to deliver a personalized catalog to each addressee.

A greater trend will be towards in-line manufacturing. Some press products will be stitched, ink-jet addressed and bundled by ZIP Code right at the press with no bindery operations at all, thereby dramatically reducing the labor content of manufacturing operations.

There is a pronounced trend towards lighter weight papers which provide the opportunity to reduce postage or other distribution costs. The paper can then be recycled and used in other consumer products. Efforts are underway to develop inks requiring less energy for drying and which will release fewer waste products to the atmosphere. In some cases solvents can be reclaimed, thereby protecting the environment and reducing use of a material that depends on the availability and cost of petrochemicals.

5. Cooperation and Communication

The benefits of producing a high quality piece of advertising and putting it into the hands of a potential buyer have never been greater. To use the available technology, and also determine the direction of the emerging technology, will require close cooperation and communication between the printing buyer, printer and the scientist.

G. Computers

If there is any development which has revolutionized direct marketing over the past few decades, it is the computer. It seems impossible to imagine how the industry was able to operate without them, until one realizes that the computer is only about 30 years old.

1. A Viable Tool for List Maintenance

The first direct marketing applications to which these marvelous tools were put to use was in fundamental list maintenance. These applications were primarily by-products of such ordinary computer functions as payroll, personnel recordkeeping, stock transfers, etc. It rapidly became apparent that the ease with which one could build, maintain and utilize lists was such that list maintenance in its own right was rapidly adopted as a viable computer function.

However, because of the high cost of conversion from traditional list-keeping methods to computer, wide usage of computers in the direct marketing environment advanced rather slowly.

The catalyst which caused the massive jump to computerization took the form of an innocent 5-digit number called the ZIP Code. Faced with the task (and expense) of adding these codes to their lists, and the need to maintain their lists in that sequence, mailers were virtually forced to turn to the computer for help. Suddenly, the number of lists that were "on computer" increased enormously, and a whole new dimension was added to the direct marketing picture.

Besides providing list owners with the ability to maintain their lists efficiently, the computer

opened up new areas which are still in their infancy.

Today's marketing world is a totally different environment from that of several years ago. That does not mean that the tried and true techniques proven over the years will not work. But the current economic picture, legal situation, and overall environment call for a far higher degree of control over direct marketing efforts than has ever before been necessary.

2. Need For Computers in Direct Marketing

Without the computer, successful direct marketing (on any reasonable scale) would be virtually doomed to failure. As new developments occur, the need for computers is becoming virtually mandatory.

Computers, for example, give us the ability to select specific groups of names from mailing lists. Because of their ability to store large amounts of data including names and addresses, these selections can often be based upon other, more meaningful criteria. Geographic selections can be made (another fortuitous by-product of the ZIP Code) as well as selections by the recency-frequency-amount of purchases. The degree of demographic data upon which selections are made is enormous, and the direct marketer is able to target in on his marketplace with ever increasing accuracy.

However, it is the negative selection capability of the computer that will probably be of greatest value to the marketer: to prevent the sending of mail to those persons who have indicated they do not wish to receive it. This capability, best exemplified by DMA's Mail Preference Service, is probably the strongest defense between today's direct marketer and legislation which could seriously limit the marketer's ability to mail. Use of this service by every direct marketer, and the rigorous compliance of any person's wish to be removed from lists, should be thought of as mandatory.

The same computer procedure used to identify and remove these "No Mail" names can also identify the duplications that exist within and between multiple lists. This technique, known as *Merge and Purge*, has also been expanded since its introduction. It was originally touted as a means of saving money by not having to mail duplicate pieces to the same recipient. It has grown to be a sophisticated tool that enables the marketer to: analyze the demographics of the various lists he is using; mail on a more frequent basis; spot changes in the make-up of lists being reused; and eliminate the annoyance factor caused by multiple mailings. In addition, they permit the creation of multiple standardized test segments, each of which is statistically valid. As a result, different marketing strategies, pricing methods, copy and package approaches and other tests can be accurately measured.

3. Versatility of Minicomputers

The direct marketer also benefits by being able to process more efficiently the replies he receives from his mailings. In the last few years, the minicomputer has grown from a scientific "toy" to a full-fledged, powerful business machine. Most companies now can have a small, typewriter-sized minicomputer in their offices as powerful as the hardware that, only ten years ago, would have filled up rooms. These modern minicomputers are following the pattern of hand-held calculators. Almost everyday brings an announcement of a new development which increases their capability and speed, or reduces their cost. It is safe to say that, within a few years, minicomputers will be universally used in offices as copy machines are today.

Unlike their lumbering ancestors, these minicomputers have been designed to operate via typewriter-like terminals that make it practical for direct marketers both to enter orders immediately upon receipt and to update customer records instantly when payments are made or merchandise returned. Data, which can be instantly retrieved, will reflect information that is current, not 15 or 30 days old, and permit much more informed decision making. Inventories can also be properly managed preventing back-orders (and the resulting customer disappointments), overstock conditions and waste. Business trends can easily be spotted, analyzed, and utilized to guide the business towards more efficient operations.

Along with the minicomputer's growth, we have seen a comparable growth in the capabilities offered by the service bureaus. By spreading the costs of hardware and software over a large user base, these sophisticated companies can provide marketers with advanced techniques using optical scanning machines to read and process coupons and return mail automatically, while specialized mail handling equipment can sort envelopes, count, endorse and encode checks, do highly involved mathematical analyses of response data, etc.

Current computer techniques, therefore, permit direct marketers to operate in today's more complex marketing environment. The marketer who takes advantage of these and other new developments will be able to maximize his profit potential, minimize his costs, and be ever more responsive to the needs of his marketplace.

4. Role of Personal Computers

The personal computer (microcomputer) has recently been legitimized by the entry of IBM, Xerox and DEC into the marketplace once dominated by Apple and Radio Shack. Personal computers have graduated from hobbyist machines to the desks of executives with Fortune 500 companies and have become known as executive workstations. As the minicomputer has come to rival mainframes in computing power, so the capabilities of micros are approaching those of minicomputers and there will undoubtedly be a blurring of the distinctions between these three classes of computers, especially when viewed from the user's standpoint.

At the moment, personal computers have some distinct disadvantages when compared to minicomputers. The diskette, the accepted standard for storing data on a micro, can hold much less information than a mini's hard disk. The time that it takes to retrieve data from a diskette is many times longer than for a hard disk. Furthermore, service and software support for business users is not yet totally dependable. The greatest limitations, however, are that unlike minicomputer systems, personal computers are not designed to permit multiple users or run several different jobs concurrently. Communications amongst micros and between minis and micros is difficult and not a standard function of a personal computer.

While the capabilities of personal computers are growing rapidly, a stand-alone personal computer is currently suitable only for a very small business or for performing isolated functions within a larger organization. The real future of the personal computer may very well be in the local analysis or processing of data downloaded from a company's main computer system. This local processing might be the personalization of a salesman's correspondence to customers called on that day as determined from data he communicated to the central computer. It might also be the analysis of the past ten years' data on circulation as read from the central computer with the subsequent production of a special report containing detailed graphic representations of the data. Or it might be a "what-if" analysis of a company's profits based on assumed changes in costs, prices and resulting sales.

Flexibility of software and its ease of use coupled with communications and networking capabilities may eventually put a personal computer on everyone's desk. VisiCalc and similar spreadsheet programs have had a very positive impact on personal computer sales. Business users do not want to have to write programs for their micros. Soon to be available are software packages which will combine word processing, electronic spreadsheets, database management, mailing generation and a whole host of other features. These will be easy to use and will provide the personal computer user with tremendous capabilities. Small businessmen and executives will have the equivalent of a data processing department right on their desk. The data will be massaged by the decision makers without having to have a special program developed. Personal computers will lead to the decentralization of data and word processing and computing will be put in the hands of the users rather than the data processing staff.

H. Videodisc

In another arena, the Videodisc Age is dawning with several manufacturers now introducing their products. One player, Magnavision, attaches to any TV set's antenna terminals. The special record is placed on the player's turntable, the lid closed and the start button pushed. The turntable almost instantly revs up to 1800 rpm and a low-powered laser shoots its pin-point beam to the disk. The disk reflects it back to a mirror-and-prism system where the beam is split in two. One of the beams conveys picture-and-sound information to the player's electronics, while the other keeps the pickup arm on the correct microscopic "track", which is spaced 65/1,000,000ths of an inch from its neighbors.

The player may also be connected to any stereo system to play back programs whose sound is recorded in stereo, or you can play it through your TV sound system. One disk may contain up to two hours of picture and sound (one hour per side) for movies and live theatrical productions. Others will hold a half-hour per side and their moving pictures can be stopped and held, played in slow-motion, speeded up or even shown backwards. Each such record can hold up to 54,000 still pictures per side and any individual frame can be located rapidly by pushbutton which gives the videodisc important potential as an educational tool.

Magnavision is manufactured by MCA Corporation and Philips. A consumer market test is expected to be conducted in Atlanta early in 1979.

Another manufacturer is RCA which has been developing its Selecta Vision since 1964. The system, using 10-minute disks, has been marketed

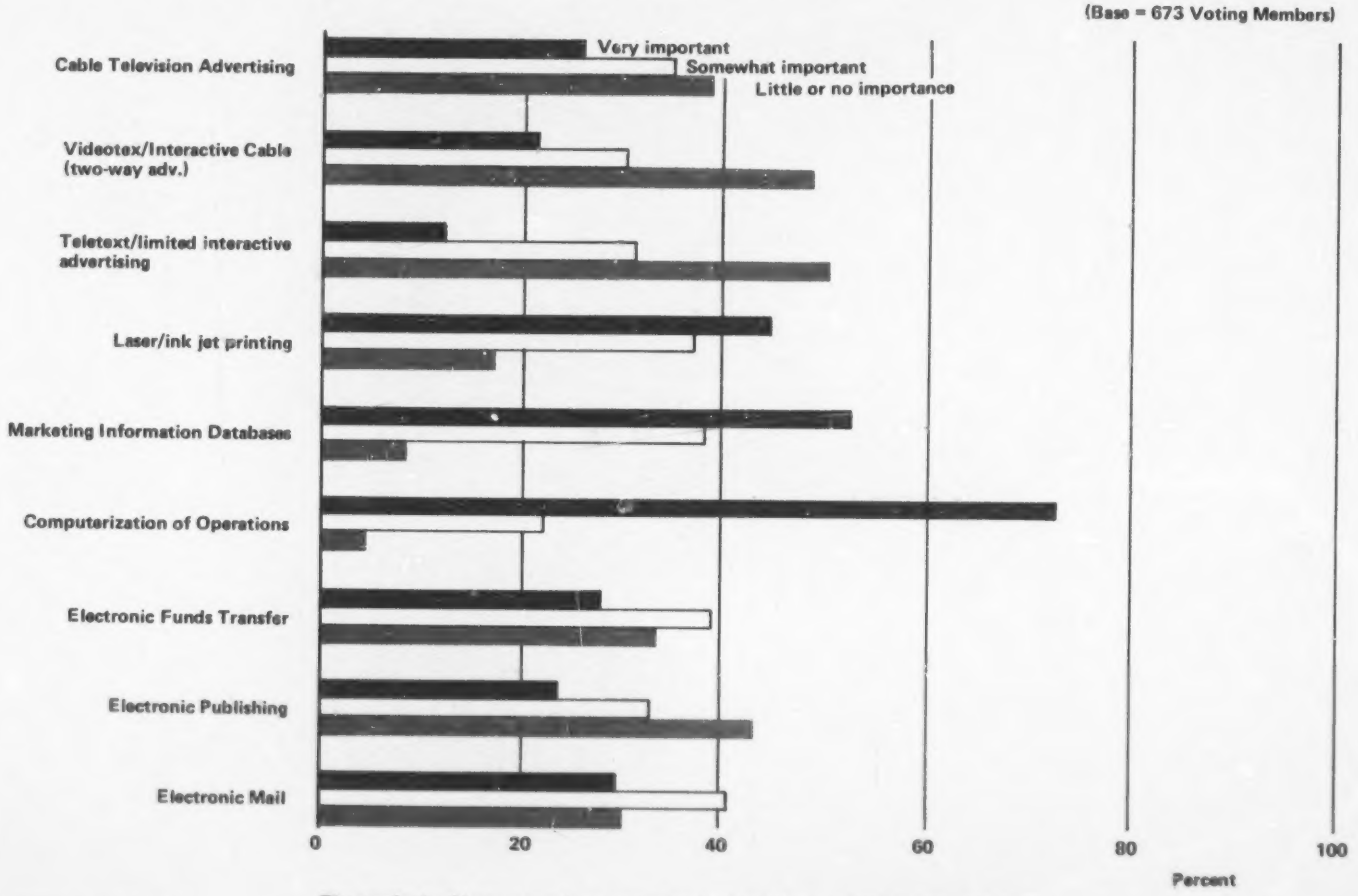
for three years in Europe by Telefunken and Matushita. JVC and Sony of Japan and Thomas-CSF of France are also in the running.

There is no interchangeability among any of these systems and standards of manufacture as well as of compatibility would have to be established if they do come to American markets.

To date, estimates are that research and development costs for the videodisc by all companies together exceed a half-billion dollars. RCA has spent more than $200 million launching its system with lukewarm acceptance by the public. In the first year (1981) only 150,000 sets were sold, short of the 250,000 projection. It is not compatible with MCA's laser system and so far SelectaVision has no "record" option. There is a serious question as to the size of the potential market. Will the consumer buy $15 records of movies, football games, even instruction to be looked at once and never or rarely again? (See QUBE).

Importance of Technologies

• Please rate the importance you think the following technologies might have for your business over the next five years:



The emphasis of importance is on operations technologies, not media communications.

SOURCE: Map Survey, DMA, 1982

9

Promotional Techniques in Direct Marketing

Successful Promotion Offers

by Andrew E. Svenson, Jr.
Andrew Svenson Company, Inc.

Asking for the Order

Whether the medium is television or telephone, print advertising or direct mail, the moment of truth for all mail order sellers comes when they ask their prospective customers for the order. Even the most elaborate advertising description of the most desirable product will fall short of its full sales potential unless the prospect is invited to buy in a way that effectively prompts action.

The range of proven "offer" options and techniques is a broad one, and successful direct marketers regularly test new approaches and combinations to maximize their sales results. They range from variations of Aaron Montgomery Ward's "money-back guarantee"—first promoted more than 100 years ago—to contests and other reader involvement devices that rely on the latest computer and printing technology. Their common objective is to make a positive response to a sales proposition as convenient, desirable and attractive as possible.

There are several tactics to be considered when developing a sales offer strategy:

Pricing

The optimum selling price of a product is determined by a combination of factors. Besides its cost, there is also the authority, value and satisfaction that the customer perceives the product will deliver. Only through careful testing can that best price point be established.

Often a mail order selling price that represents a savings from retail value or on established price can be used to stimulate sales. The rationale may be a special "customers only" offering, a prepublication savings, inventory close-out opportunity, or other legitimate offer. If the product is sold at its full price, other devices such as the offer of premiums or sweepstakes, can be used to increase response. *(See FTC guidelines on Deceptive Pricing, page 191.)*

Payment Methods

The tremendous growth in the use of national credit cards has resulted in major sales gains for many mail order firms that formerly operated only on a cash-with-order basis. Most firms have found that credit card billing options result in higer responses and a larger average order. Other sellers offer their own "bill-me-later" credit to customers through sophisticted credit and collection programs and facilities. The methods of payment available to prospective customers can have a significant effect on their responsiveness to an offer.

Payment Terms

The opportunity to pay for a higher-priced product in installments is attractive to many consumers and can lead to greater acceptance of the offer. Direct marketers who offer credit terms to their customers often find this option a profitable one. However, the advantages of possible greater sales must be weighed against the "cost of money" in the extension of credit, accounts receivable turnover and the return on the seller's investment. *(See Fair Credit Reporting Act, Regulation "Z", page 190.)*

Trial Offers

The offer of a period of time in which to personally examine a product before deciding to pur-

chase or keep it—or an opportunity to sample the product—is another proven way to enhance the response to mail order solicitations. For example, "Examine it in your own home for 14 days . . . ", or "Take the first volume for only $1.00 . . . ", and similar propositions, have long been known to be effective for many products and programs.

Guarantees

The integrity of the mail order seller and his product is reinforced most effectively when a "satisfaction guaranteed or your money back" warranty accompanies and supports the offer. Product claims of authority, quality and value are weakened by its absence. The guarantee should be present in every direct marketing offer and compliance to its stated promise must be scrupulously followed by the seller. *(See FTC guidelines regarding Guarantees, page 200.)*

Premiums

Another successful action-prompting device is the offer of one or more premiums for examining or purchasing the product. To be most effective, the premium should be related to the product being sold or the specific audience being addressed. A note of caution, however: promotion enhancements such as premiums and sweepstakes, while boosting response, may also attract less qualified respondents in terms of credit worthiness and final product acceptance. *(See FTC guidelines on the use of the word "Free" or similar representations, page 192.)*

Sweepstakes and Contests

The presentation of a sweepstakes contest in conjunction with a product offer can result in a dramatically higher number of orders. Many mailers have had great success with the technique and some rely almost exclusively on sweepstakes as the vehicle for their offers. A large volume of mailings is usually a requirement for a cost-effective sweepstakes promotion and mailers considering this type of promotion should seek the counsel of a reputable agency specializing in sweepstakes to be sure all legal guidelines will be satisfied. *(See FTC guidelines concerning Sweepstakes, page 193.)*

Time Limits

To lend urgency to the sales message and to overcome a prospect's natural inertia, a time limit can be placed on the offer. By asking for the order by a specific date or within a given number of days, the seller helps the prospect face the buying decision immediately with the benefit-filled sales presentation still fresh in his mind.

Developing a Marketing Plan for New Direct Marketing Ventures

by Dick Dixon, Encyclopaedia Britannica, USA

When you begin to develop a marketing plan, you can be sure of one thing—you can never write *too much* about the project or delve *too deeply* into the marketing opportunity and all its ramifications. Building a marketing plan requires a lot of hard work, but it is an essential tool of good management because it forces us to think through an idea completely. It provides a blueprint for development, a plan for action. And if we hope to accomplish our goals, we must use an orderly planning procedure. The following step-by-step guide outlines a successful approach.

A. Market Analysis

You should begin by defining the market in broad strokes in terms of size and scope, annual dollar expenditures, number of potential customers, and other characteristcs. In addition, historic

growth trends should be reviewed, and expert forecasts should be analyzed to determine how promising the future looks for the market. Then, a comparison of your current customers with the assumed audience should be made so that you can determine whether your current customer base can be expected to support you early in the development of the new business. Finally, a complete and extensive study of your major competitors should be made so that you can favorably position your product *vis a vis* the other contenders for the consumer's dollar in the same product area.

1. Opportunities and Problems

Unfortunately, the tendency is to over-emphasize opportunities and to play down possible problems when writing a marketing plan, when in fact the emphasis should be reversed. The opportunities will be obvious, but the problems will require a hard examination of your existing business and resources and a thorough assessment of the competition. Major problems and weaknesses must be identified and faced squarely if your plan is to be successful.

2. Target Market

Now, you need to identify as precisely as possible exactly who your customers will be, their buying habits, their drives and motivations. Whatever you can learn about your prospective customer will pay off handsomely as your plan moves to the implementation stage:

- age ranges
- sex
- family size and makeup
- homeownership
- income
- likes and dislikes
- education
- other characteristics

B. Preliminary Business Concept

Once you have defined your market, identified the opportunities and problems, and carefully measured your target market, you are ready to lay out preliminary ideas on how to sell your new product to this market, e.g., single product presentations (one-shot), multi-product approach (catalog), or other method. In addition, you will now begin to form a fairly clear idea of the offer and the media which should be most productive.

1. Financial Objectives

If you haven't done so already, now is the time to establish minimum financial goals for the short and long term:

- sales objectives
- profit objectives
- rate of growth
- return on investment requirements at certain critical points in time
- payout and payback objectives

2. Strategy for Market Entry

Once these previous five steps have been completed, it is necessary to determine how you wish to enter this new market and fund the product launch, which may be either by:

- venture
- acquisition
- a combination of venture and acquisition

Based upon the previous analysis, this decision should be an obvious one. If it is a natural extension of your current business and your resources are adequate, you may decide to fund the project yourself. However, if it takes you far afield of your current business and expertise, you may wish to enter the market through acquisition of an existing company or a combination of acquisition and venture funding. If the answer is not clear, it is likely you have not done all your homework.

C. Marketing/Merchandising Tactical Plan

Assuming that you have decided to develop the business yourself, the next and most time-consuming step will be to write a marketing/merchandising tactical plan. These are among the areas that must be addressed:

1. Marketing Assumptions

Media is an important consideration and one that demands careful study. How should you sell your product or service—through direct mail (solo mail, multi-mailer, catalog), space advertising, broadcast, package inserts, or a combination of media? Selection of the wrong medium can cause an otherwise strong product or service to fail when it might have succeeded.

- *The offer* is obviously key to your presentation, and here your previous analysis of the business and the competition should lead you to the right decisions.
- *Pricing* is an extremely important variable, especially as it relates to affordable product quality and subsequent customer satisfaction

and performance. Don't overlook the power of properly pricing your product.

- *Advertising expenses* must be calculated—product prototype development, media and mailing costs, agency creative and production fees, etc.
- *Audience reach* must be defined—the number of mailings or circulation and the anticipated response.
- *Bad debts* and returned merchandise figures must be forecasted.
- *Merchandise costs* including premiums, cartoning, and shipping must be settled on for budgeting purposes.
- *Fulfillment expenses* from order entry through collection of accounts must be estimated.

2. Sales and Income Forcasts

Based on a thorough accounting of all marketing variables in the marketing assumptions section, you will now be able to develop complete and accurate sales and income forecasts:

- gross sales
- operating profit
- return on sales and return on investment

3. Marketing Support Services

Ten major operational areas are normally involved in the support of a new direct marketing venture, and the demands upon these services and facilities must be considered in advance. The support areas include:

- promotion mail distribution
- order processing
- inventory planning and control
- printing and purchasing
- systems and data processing
- credit and collections
- customer relations
- legal
- finance
- creative

Planning, done properly, is not accomplished overnight. As one practitioner put it, "Planning, like golf, is a very simple game, but it ain't easy." By following these basic steps in developing a marketing plan, however, the chances of success for any new direct marketing venture will be greatly increased.

Testing Creative Approaches in Direct Mail and Print Advertising by Penny Vane, Peter Vane Advertising, Inc.

There ought to be a saying in the direct marketing business that goes, "If at last you *do* succeed, try again to beat it." Testing is the key to the business. Indeed, repeated, well-thought through testing is the only way to be truly successful.

What exactly *is* testing? How do you do it? Here are two simple examples. In print advertising, many magazines can do an accurate "A/B split run" of your ad. In other words, they will run one of your ads in half the circulation and the other ad in the other half. The results will show you which ad pulled better. If you're using a direct mail piece, you can split the mailing list in half, or in as many segments as you have variations to test. Just be sure you split the list without geographic or any other biases and that the quantities are statistically significant. When the results start coming in, one approach will turn out to be strong and will become your "control" offer. Then you get down to the business of refining it.

A word of caution: Some direct marketers are tempted to take the dictum of testing too much to heart, so much so that they become fanatical! Certainly it's easy enough to do, with so many possible combinations and permutations of test elements. Often curiosity gets the better of us—"what would happen if . . . ?" But curiosity is *not* sufficient reason alone to spend the money and time it takes to execute an accurate test. Always ask *why*, and make sure the reason is a solid one. Test variations, too, that hold the promise of making *substantial* differences in response.

Let's assume you have a new product that you feel is bound to be a mail order success. We'll assume, too, that you've done your homework

and studied the mail order economics, settled on your fulfillment mechanics, and so on. We'll hope you've decided to gear your promotions to acquiring *customers* rather than simply making sales. As the promoter of this new item, you most likely have at least generally defined your customer profile. From now on, everything you do will be an attempt to find those customers and to discover the best way to appeal to them. That's what creative testing is all about.

A. Market Testing

Let's assume, again, that you believe the prime market for your product is the 18-34 year-old woman. Is she married or single, high school- or college-educated, working or at home, moneyed or struggling? It's important, for all testing, to have as clear a picture of your customer as possible. Imagine your ad or mailing speaking to a *specific person*, not just "prospects" in general.

List brokers will help you find matching mailing lists. Media sales reps (magazines, TV, radio) can tell you whether or not the demographics of their audiences match your customer profile. A good direct response ad agency will have all this information at their fingertips and can help you make good, cost-effective decisions.

You can read elsewhere in the *Fact Book* how to choose and judge various media and lists. We mention it here because finding the prime markets, through testing, is the foundation for all the tests that follow. Be flexible, because you may find that there are *several* different, responsive market segments, some of which you may not have anticipated. Your creative testing will help you determine how best to appeal to each of them.

B. Offer Testing

The offer is so important that some marketers believe that no matter how attractive or unappealing the graphics, no matter how exciting or humdrum the copy, if the customer wants the product, and the price is right, the promotion will work. That is an oversimplification, of course, because there are hundreds of examples of creative variations that have made the difference between a smashing success and a modest profit.

However, the offer *is* critical. Here are some offer test variations you might try:

1. Price

Don't assume that a lower price invariably will mean a higher response. Sometimes a higher price will be perceived by the consumer as meaning higher quality, thereby earning his confidence and encouraging him to buy. And, even if you do find that a lower price brings in a higher response, don't forget to analyze it in terms of your ultimate objectives and the bottom line of your profit and loss statement.

Traditional mail order economics suggest that you price your product at four to five times your cost, (especially true in the specialty merchandise and gift areas). There are sensible reasons for this which you can read elsewhere in this book. In your promotions, test price both up and down the scale, but keep that mark-up as your general guideline.

2. Terms and Payment Method

You can ask people to enclose payment "up front" (checks or credit cards), or you can bill them along with the shipment. The best approach, of course, depends on the price of the product you're selling, how much allowance for bad debt you can afford, the effect of the credit offer on response, and your promotion cost per order. Asking for money up front will almost always depress response, especially if your product is high priced. But your business is not likely to survive if you ship out products indiscriminately on a "bill me" basis. Employ the services of a good credit checking operation when in doubt. It will save you money and aggravation in the long run.

Credit card charge options give you the benefit of guaranteed payment of valid charges. You will have to pay a small percentage of sales to the credit card companies, but probably less than the bad debts you might otherwise experience on a "bill-me-later" offer.

3. Examination Period

If you are offering your customers a free examination period, try varying the amount of time they have before having to pay for or return the product. "Free for 14 days" is a standard; try 10 days, or even 30 days. A longer period implies you have great confidence in your product. Select a trial period with your fulfillment operations in mind, as well as what seems to bring in the greatest number of good customers.

4. Premiums

A premium is any additional incentive you offer a customer to encourage him to buy. There are several varieties of premiums. (a) *Free Gifts*. If you promote an item as a free gift, it has to be really free; in other words, the customer may keep it whether or not he purchases the primary product. A good premium can give a 15%-25%

lift to the response to your promotion. (b) *Additional Items* offered at a discount or self-liquidating price with purchase of the primary product are less certain. This may work well in some cases, but it's possible that the additional consideration involved in making the buying decision will distract the customer from your primary offer and result in decreased response. (c) *Surprise Gifts* do well for some marketers; presumably, the appeal of getting a present that is truly a surprise motivates many potential customers.

5. Commitments

Single, direct sales usually don't involve further purchase commitment, but book and record clubs, continuity programs, subscription offerings, and annual programs often require some kind of future buying obligation. The degree and size of the commitment can substantially change response percentages, and the variations should be tested. Potentially good customers may feel put off or burdened if your commitment requirements are too great. On the other hand, those responding usually represent more highly qualified and, therefore, more profitable buyers.

C. Format Testing

Formats for direct response advertising are many and varied, and you will have to discover for yourself which type of presentation is the most cost-effective for you. Fortunately, we can often get advice from more experienced colleagues in the business, or clues to what works simply by observing the formats your competition is using on a repeated basis.

1. Print ad formats

Among test possibilities in print advertising are:

- Full-page, column, half-page, 2-page spread, classified, and other variations in size.
- Full-page insert cards *vs.* page with reply card *vs.* page with coupon alone.
- 4/color *vs.* 2/color *vs.* black and white.
- Dutch-door inserts, free-standing inserts.

Don't assume that the biggest, most colorful, most spectacular ad will necessarily be the most cost-effective. It's not even guaranteed that it will pull more orders than a smaller, simpler version. Only testing will tell.

Some take the approach, "Give it everything we've got (for example, 4/color, 2-page spread with card in the ideal media), and if that doesn't work, then nothing will work." Others start more conservatively, building slowly, adapting and changing the promotion as results come in. Only you can decide which approach is best for your product, your audience, and your budget.

2. Direct Mail Formats

It is easier, though usually more expensive, to simultaneously test several different direct mail formats than it is to test different print ad formats. There are dozens of possible direct mail formats from which to choose—from simple, inexpensive double postcards to elaborate, expensive jumbo 9″ × 12″ outfits with computer-personalized components. Once again, *cost per order* is the number to compare, not the percentage response.

When testing in either print or direct mail, it's important to remember to test only one element at a time, or, if you're testing more than one change, to make sure that you have something else to cross-check it against. For example, if your control mailing piece has a 9″ × 12″ envelope and a 22″ × 34″ brochure, don't test it head-to-head against a 6″ × 9″ envelope and an 11″ × 22″ brochure. If the smaller package doesn't work, you won't know whether to blame the envelope or the brochure.

Among the direct mail elements you can test are the envelope, letter, brochure, premium flyer, a secondary endorsement memo, and the order card. The order card often incorporates an "action device" of some kind, many of which have been shown to increase response dramatically.

Such reader involvement devices include:

- Punch-out tokens
- Perforated, gummed stamp sheets
- Yes/no boxes
- Rub-off hidden messages
- Tear-offs, lift-offs, and other devices
- Plastic or card stock wallet-size cards (as temporary membership cards, etc.)

D. Graphics and Copy Testing

Testing the graphics of a print ad or brochure is, primarily, a question of emphasis. You may want to try giving greater or lesser prominence to any one or combination of the following elements: the product photo or illustration; the headline; the premium; the guarantee; the offer; testimonials or endorsements; "atmosphere" or "in use" type of photograph; or the coupon or toll-free number. You might want to change the color of the background or headlines (most people respond better to red than to purple, for example). But again, choose tests carefully and for good reasons, not

just on a whim, and remember not to "bury" the offer.

The copy is the heart of any direct response promotion. Once you have caught your customer's attention with an attractive format or a strong graphic, it falls to the skill of the copywriter to complete the sale. There usually needs to be a great deal of benefit-filled copy to give as many convincing reasons as possible to encourage your customer to order *now*. The more reasons to buy you can give the prospect, the easier it is for him to rationalize his desire to own your product. As far as copy length is concerned, some direct marketers have found that a 6-page letter works better than the traditional 4-page letter, and there have been some very successful promotions that have employed 8-page and even 10-page letters!

It's important to present the copy in a way that makes it graphically interesting, too. Subheads, indented paragraphs, copy interspersed with pictures, all make it easier for your prospect to read what you have to say.

There is probably more room for test variations in copy than in any other element of your direct marketing promotion. It is through copy testing that you will discover *why* people buy your product. Just remember that they will only buy if benefits are readily apparent to them, and the price is right. And as we said at the beginning, once you've discovered a winning copy approach, you should continue to test to find an even better one.

The direct response promotion hasn't been written or designed yet that can't be beaten.

Response Television
by John Witek, Independent TV Consultant & Writer

Interest in all forms of response television has been growing rapidly since the mid-1970s. Direct marketers who never explored television before are doing so now. General advertisers are beginning to make their commercials accountable by using direct marketing methods. Cable television has proven itself as a direct marketing medium. Growth in the cable industry and steps toward the accurate measurement of cable audiences have opened a promising frontier to television direct marketers.

Considering television's ability to reach more people for less money than direct mail or print, every direct marketing program aimed at a broad audience should at least consider using response television in one of its present forms: to make direct sales; to obtain sales leads; to support direct response advertising in other media.

It may just be that the future of marketing in this country is direct marketing, and that the future of direct marketing is television, and the future of television is cable.

A. What's Involved And What It Costs

The elements of a response TV campaign are:

- The marketing plan and strategy
- Creative—concept, script, storyboard, and creative direction
- Production
- Media planning and testing
- Response reception by telephone or mail
- Fulfillment

Legal mandatories from the Federal Trade Commission, the Federal Communications Commission and the states' Attorneys General impinge upon all of the above and are discussed elsewhere in this volume.

A handful of direct marketing agencies are responsible for the lion's share of today's response commercials. There are also independent consultants in creative, media, production and telephone marketing who can structure an entire television campaign. There are advantages and disadvantages to both agencies and independents, and the relationship between clients and providers of services is always unique. It may be advisable for direct marketing companies to form their own in-house television agencies, but leading professionals are few and command top salaries.

1. Creative

Although much previous response television has been unimaginative and creatively unappealing, TV direct marketers are placing more value on well-made commercials than ever before. By now, industry leaders such as Time Inc., Time-Life Books, Inc. and The Bell System have established high creative standards in response television. In comparison, a response commercial that

still has a "B-movie" look seems anachronistic.

Scripts and storyboards should be created with marketing strategies in mind. They should be planned to hold the viewer's attention and involve him in the same way that good direct mail has a format designed to create involvement. This means that more needs to be done than simply write a good commercial that people will watch. It has to be a commercial that catches people with its momentum, convinces them with its rhetoric and reasoning, and produces orders by making the viewer's response the logical result of watching that commercial.

Scripts should be tightly written and should describe every visual element involved. A complete, full-color storyboard is desirable, but single and multiple key frames can sometimes also be used to illustrate carefully written scripts.

Agencies may or may not charge fees for creative work depending upon their relationship with a client and the media buy anticipated. The standard agency fee on media is 17.6%. A wide range of fees is charged by independent script writers, and free-lance storyboards run anywhere from $15 to $35 per frame drawing.*

2. Production

Although entrepreneurs are still able to hold down production costs and avoid paying union scale rates, the day of the cheap "down and dirty" commercial is ending, or, at least, it is dividing commercials into what the public perceives as "schlock" or a class act. The cost of producing a quality commercial begins at around $25,000 and goes up to $60,000. Productions costs, incidentally, rise about 10% annually.

A major production option is whether to use film or tape. The old idea that tape is cheaper than film is simply no longer true. Film and tape are on an equal par today in cost and quality. The main difference is that they *look* different because their technology is different. A commercial's creative demands should determine which look is right for that commercial. Film grain produces a rich, comparatively soft, dimensional look that is appropriate for some treatments. State of the art 1-inch C-format videotape offers vivid colors, clarity, sharpness, and its own hard-edged dimension and aesthetic.

Unless certain kinds of animation are called for, commercials can be shot on 16mm film stock, although 35mm stock offers greater clarity and sharpness. Tape has the advantage of instant playback during the shoot, but a video assist for the motion picture camera can be arranged.

The precision, speed and virtuosity of computer editing makes editing on tape desirable even if the commercial was filmed. End tags with telephone numbers and addresses are usually shot on tape because tape provides the sharpest image.

The time to save production dollars is in preproduction when producers present itemized estimated budgets for discussion. Proper planning at this stage will keep costs down and help prevent the shoot from going into extra hours and costly overtime.

The Association of Independent Commercial Producers (100 East 42nd Street, NY 10017) has developed a Studio Cost Summary Form it wants to standardize throughout the industry. The form itemizes 211 factors which can figure into production and reading it is an education in production. Clients and agencies would do well to require all TV commercial budgets to be submitted on such a form, in order to keep costs visible and provide for better planning—especially since producers charge a 10% markup of direct production expenses.

3. The Media Schedule

Good commercials fail with bad media. Failures may be reversed when new media schedules are tested. Time-buying is a difficult field for an outsider to grasp, because the rules can change daily and often success depends on experience and contacts. It is a bartering, bargaining, wheeling, dealing kind of business that ultimately boils down to a buyer, a seller and a telephone—raw elements that don't translate into textbook certainties.

Unless you are planning a major support campaign (and then only sometimes), direct marketers avoid the networks and buy less expensive spot time on local stations and network affiliates. Spot buying means that a station will run a commercial at no precise time within the specified time segments known as "dayparts," ie., Day, Early Evening, Prime, Late Evening, Saturday and Sunday. Or time may be bought on a "run of station" (ROS) basis which means that the station can show the commercial whenever it wants, in order to fulfill its obligation to the sponsor. In exchange for this lack of specificity, the response advertiser is sold time at a substantial discount. The disadvantage of spot time buying is that a station can "bump" a response commercial off the air if it finds a buyer for its time at a higher rate. Nevertheless, media buyers are able to construct schedules that let them work within the

*All costs are rough estimates based on current prices in New York City.

dayparts they need to reach their markets. And it is the age, sex, income and interest of the target audience in those markets that will determine when and where time is bought. In this way the media selection approaches the precision of list buying in direct mail.

Direct marketing is grounded in testing, and practically all direct response television campaigns begin with a media test. An average test should run from no less than two to, usually, three weeks in at least five markets, and costs start at about $15,000. If the test is successful, more markets are purchased, and commercials run until they show signs of exhausting themselves. They may very well be rescheduled in the same markets in the future.

Because the price and the availability of TV time are in continual flux, the media buyer must be able to shift gears instantly depending on the vicissitudes of the medium. He has to monitor results on a day-by-day and, sometimes, hourly basis and provide his client with facts through regular updated post-buy analyses. Slow or inadequate reporting can wreck a campaign as surely as a bad commercial.

The cable networks are figuring into more media schedules than ever, and more testing should take into account the advantages of advertising on one or more of them. Facts about cable audiences are hard to come by, but the cable networks and several leading agencies are working hard to obtain that data.* Until it is available, advertisers are assuming that the cable audience is somewhat wealthier and more interested in television than non-cable viewers.

Cable and local stations frequently agree to run a commercial on a per inquiry (PI) basis. The advertiser isn't charged for time, thus reducing his overall cost—and the station is paid a percentage of gross orders or gross leads.

A direct response advertiser can have an advantage in media if his commercial is limited to 60 seconds. More time and more desirable adjacencies are available for 60-second as opposed to two-minute commercials, although two minutes is the only time unit that will work for many direct response offers. Since a cumulative effect occurs in TV direct response campaigns, a mix of 60-second and two-minute direct response commercials in the same market may be the answer to making sales and saving on media. In any case, it costs far less to produce both commercials together, and this should be done if an advertiser will eventually want two versions of a commercial. 30- and 60-seconds are standard time units for support and lead-gathering commercials.

The television year is divided into quarters, during which the cost of time may be at a premium, or comparatively inexpensive. A flood of direct response advertising occurs in the first quarter (January, February, March), because this is when TV time is least expensive and, coincidentally, more people who are likely to order are home watching television. Rates are also low during the third quarter (July, August, September), but less viewing goes on in the Summer. Some direct marketers test during the third quarter anticipating a rollout in the first.

Medium-size and large agencies have their own broadcast media departments, and a number of independent media buyers service small agencies and entrepreneurs. These buyers take a percentage of their purchases in payment. Percentages vary and are often structured on a sliding scale. Direct marketing companies that do a lot of broadcast advertising do well to employ their own buyers.

4. Response Vehicles

It is essential to obtain prompt and precise information from services that take orders over the phone. Over a dozen companies offer toll-free telephone response services, and a list of these vendors is available from DMA's Information Central. Your media buyer will know which vendors are reliable, report quickly and accurately, and will maintain an adequate number of telephone lines to handle the anticipated call volume.

Orders coming in by telephone give the marketer almost instant results which allow him to adjust his campaign on a daily basis. In addition to having the advantage of speed, the telephone can be used for cross-selling, to step up orders, and to qualify respondents. 800 numbers encourage response because they are free and abet impulse buying. Local numbers, with the customer paying for the call, may be desirable in single markets. Occasionally, a local number encourages more response than one that is toll-free.

Mailing addresses should be used if cash with order is required, or if a high COD turn-down rate is expected, or if the commercial is aimed at an older audience. Viewers can be invited to use their credit cards by mail or phone to order high ticket items. According to telephone marketer Errol Davis, in the 1979 *Direct Mail/Marketing Manual*, 60% to 80% of orders come in by toll-free phone and the balance come prepaid by mail.

The telephone number must appear on-screen

*WTBS is Nielsen-rated.

for at least 15 seconds in a 60-second direct response commercial, and for 20 seconds in a two-minute commercial. In each case the phone number should be repeated audibly at least three times. Woe the coming of longer local numbers and more complex area codes.

B. Further Information

This article only scratches the surface of a complex subject. The following books provide more information in greater detail:

Burns, Karen, ed. *Direct Response Broadcast And New Electronic Media*. New York. Direct Marketing Association. 1980.

Direct Marketing Association. *Direct Mail-Marketing Manual*. New York. 1979.

Stone, Robert. *Successful Direct Marketing Methods*. Chicago. 1979.

Witek, John. *Response Television — Combat Advertising Of The 1980s*. Chicago. Crain Books. 1981.

Promotional Techniques in Telephone Marketing — Getting the Customer to Say "Yes"

by Aldyn McKean, Aldyn McKean Associates

As marketing applications of the telephone have grown in number and diversity, much has been learned about the promotional techniques which can effectively lead prospects to say "yes" on the telephone. You may want to hear your prospects say, "Yes, I will buy your product"; "Yes, I would like to receive a brochure or sales visit"; or "Yes, I will make a pledge." Whatever the goal of your program, it will stand a greater chance of success if the promotional effort has been designed to make saying "yes" as easy and desirable as possible.

In an inbound telephone campaign the prospect usually reaches a decision before placing the call; thus the promotion will be contained in whatever media are used to generate the call—whether TV, radio, print ads, mail, or catalogs. In outbound campaigns, as well as inbound programs which involve upselling, the promotion is delivered on the telephone and must be contained in a script read by a sales representative or in a taped message.

A. Inbound or Outbound—Structure the Offer for the Telephone

One of the most frequent errors, made by even experienced direct marketers in designing their telephone-oriented promotion, is assuming that the offer which tested best in mail response or in face-to-face sales will be best for the telephone. This is, frequently, not the case. If you are aiming for the best possible results, you will want to test, specifically for the telephone, all aspects of your offer—including price, terms of payment, method of payment, trial offer, and guarantees.

1. Trial Offers

When using the telephone, you will probably want to deemphasize or even eliminate the practice of extending open credit to customers who receive the product on a free trial basis prior to paying for it. Because the telephone makes it easier to respond to an offer, more people who are only marginally interested in your product will agree to receive it on a free trial basis. The result is usually an increase in bad debt. Free trial offers should only be used in conjunction with the telephone under the following circumstances: when using an in-house list which has tested well for interest in the product and payment practices, when the mark-up on the product is great enough to offset the risk of increased bad debt, or when products are marketed as a continuity series. In addition, any commissions paid to telephone sales representatives should be tied to back-end results.

2. Method of Payment

The telephone offers a unique opportunity to request credit card orders. After the prospect has said "yes" to making a purchase or a contribution, the sales representative can ask, "Which credit card would you like to charge this to?". This will ensure that the greatest possible number of transactions are performed by credit card. In business-to-business sales, the representatives should ask for a purchase order number. The option of shipping COD to telephone customers should be used only as a last resort, because of the increased risk of returns. Holding shipment until payment is received offers another alternative; but this means forgoing one of telephone's chief advantages, speed of delivery.

3. Price

The price which has produced the greatest revenues in mail response or in retail sales may not work best on the phone. For example, if you have previously solicited mailed-in checks and are now going to ask for credit card orders on the telephone, you may find that a slightly higher price will test better. Consumers are often willing to spend a little more money on a credit card purchase than a checkbook purchase. In outbound telephone sales, a product's optimum price may be higher than in direct mail, because the customer is responding to a more persuasive and more personalized medium.

4. Terms of Payment and Guarantees

Payment terms and guarantees which have proven effective in direct mail or print response may have to be simplified for broadcast response or outbound telephone. In mail or print, it is possible to explain offers in detail and, even, to use charts; so complexities can be made understandable. In broadcast 800 number commercials and in outbound telemarketing, the ability to explain an offer is much more severely restricted. The best rule of thumb is: "Keep it as simple as possible and test it."

B. Up-Selling on Inbound Calls

Inbound telephone marketing presents an opportunity for you to encourage your customers to make additional purchases or buy more expensive items. Some of the types of organizations that could profit from up-selling are these:

Marketers of Specialty Items

If you are marketing single specialty items (or three or four related items) you can up-grade callers to a more expensive item of the same type as advertised or sell an additional related item. It never hurts to offer a discount on the purchase of two or three of the same item or to encourage a caller to consider ordering extras as gifts or on-hand replacements.

Catalog Houses

Catalog houses can use up-selling to clear out their overages and discontinued items. This can be done simply by telling callers that a special offer is being made to telephone customers.

Subscription Publications

Magazine and newspaper publishers might encourage their telephone subscribers to consider a longer subscription, an additional subscription to another publication, or a subscription as a gift for a friend or relative.

Clubs and Continuity Series

Callers seeking to purchase items through book, record, or other clubs or through continuity series can also be up-sold. They can be offered a more expensive membership or series, an additional related membership or series, an additional related item, or a gift membership or series for someone else.

Fund Raisers

Non-profit groups taking pledges can ask for a higher pledge.

If you decide that you wish to take advantage of up-selling by encouraging your customers to "add on" purchases of other items in addition to those initially ordered, you need to consider carefully your choice of item. It should be an item that 1) is related to the item advertised, 2) is used by the same people, 3) has a high usage rate among these people, 4) is familiar to them, 5) does not require major decisions on style or color, 6) has a mid-range price not too high for an impulse purchase, and 7) yields a high enough net profit to cover your added costs.

C. Taped Messages

In designing outbound telephone marketing promotions or inbound upselling campaigns, one must, early on, face a critical question: whether or not to use a taped message. The procedure involved would be as follows: contact is first established with a live representative who obtains the customer's agreement to listen to a tape, a taped sales pitch is then played, and finally the representative comes back on the line to answer questions and take the order. In general, an articulate, well-trained sales representative with an appropriate script will produce better results than a recorded message because of the live representative's ability to establish personal rapport, customize presentations, probe, and respond immediately to questions or objections. However, there are at least two situations in which taped messages have improved the results of a telephone campaign:

1. Upscale Audience

If your campaign is targeted to the upscale consumer or business decision maker, a taped message can give the phone call a more appropriately upscale flavor. Telephone scripts must usually be simple enough to be comforta-

bly read by $4 or $5-an-hour personnel. The language, tone, syntax, and level of complexity of such scripts often fail to stimulate interest in the upscale listener. This problem can be overcome by recording a more literate and complex taped message.

2. Celebrity Approach

In certain telemarketing efforts, it is appropriate to use a celebrity to increase prospects' interest. The celebrity can then be used to record a taped sales pitch. This should be done only if there is a clear relationship between the celebrity and the product or cause being pitched. Thus it might work well to use Robert Morley's voice on the phone to market British Airways tours, William Westmoreland might be used to pitch a series of books on weapons and warfare; but Raquel Welch would not make an effective spokesperson for socket wrenches.

D. Empathetic/Interactive Scripting

The chief advantages of the telephone as a marketing medium are that it enables a customer, first of all, to interact with your company in a dialogue and secondly, to experience a personal relationship with a representative of your company. Thus it is important to design a telephone script that will establish empathy and interaction between the telephone sales representative and the prospect. This is particularly true in outbound operations and in inbound up-selling.

If there is one key to sparking interaction and involvement between the customer and the telephone representative, it is in knowing how to script questions that are both appropriate and provocative. They must be appropriate in that they must tie-in directly to the product or cause being pitched; and they must be provocative so that the prospective customer's interest is aroused. The questions must also be open-ended without being *too* open-ended, so that the prospect has a chance to talk but the telephone representative does not lose control of the call.

An example will serve to illustrate this point. Johnson & Johnson marketed a continuity series of infant toys to mothers who had recently given birth. In the original script for this program an attempt was made to create interaction by asking, "Did you receive our brochure?" That question may be appropriate, but it certainly is not provocative. The script was modified, replacing the original question with, "Congratulations on your new baby. Is it a boy or a girl? What's his/her name?" The modified script was much more successful at getting the mothers to interact with the telephone representatives and at getting them to purchase toys.

One of the best ways for a telephone representative to establish empathy with prospective customers is to make the prospects feel that they and the phone rep are alike or share the same concerns. This is particularly important in fund raising, where the prospective donor should feel that the phone rep is not a professional fund raiser but a person who cares about the cause. For example, a foundation devoted to improving the quality of public education found the following question to be effective: "I'm sure that you want the best possible education for your kids just like I do for mine; am I right?"

E. Creating Persuasive Telephone Scripts

Having decided whether or not to use taped messages for outbound telemarketing or inbound upselling, the next decisions are whether or not to script, and how extensively to script. If your telephone sales representatives are able and experienced; if your product and offer are not too complex; and if you have no difficult legal, regulatory, or corporate requirements to satisfy, you may wish to use a simple call guide which merely outlines the points to be covered in the conversation. In most cases, however, word-for-word scripts will be helpful for part or all of the call. A good script is composed of at least thirteen parts.

1. The Opening

The qualified decision maker is asked for by name and is then greeted courteously. The telephone representative and the company are identified. It may help create greater receptivity to point out that the call is long distance and to mention its city of origin. For example:

"Sam Jones please. . . . Hello, Mr. Jones? This is John Martin calling long distance from Chicago for Acme Business Systems."

Next state the purpose of the call. It may also be helpful to let the prospect know how long the call is likely to last. Otherwise, a customer who has an appointment scheduled in fifteen minutes is likely to terminate the call or be too distracted to pay attention. You might say something like:

"I'd like to take about two minutes of your time to tell you about a special offer on Acme Word Processors."

In many situations, particularly in lead genera-

tion, it will be crucial to ask a screening question or questions at this point. The questions should be designed to help build interaction and should thus be somewhat open-ended. Ideally the answers to screening questions will allow the telephone representative to learn the prospect's degree of interest and will indicate which benefits should be stressed. You might, for instance, ask:

"Tell me, Mr. Jones, what is it that most bothers you about your present word processor?"

2. The Empathy/Involvement Stage

The representative establishes a rapport with the prospect, emphasizing common concerns and asking questions to spark involvement. For example:

"Mr. Jones, how would you like to spend less time in the office and accomplish more than you do now?"

(The empathy/involvement section will not necessarily be a discrete unit separate from the preceeding and following sections. It is listed separately to emphasize its importance.)

3. Product Information

The product and its benefits are described and made tangible through the use of "word pictures." The specific presentation used here may be triggered by the prospect's answers to the screening questions.

4. The Offer

Terms of the offer are explained and, if necessary, repeated.

5. Trial Close

The prospect is asked for a "yes." For example:

"So let me schedule you for a visit from one of our salespeople, OK, Mr. Jones?"

(If the "yes" is forthcoming, the telephone representative then skips to number 12.)

6. The Probe

There should be a question designed to prompt negative or undecided prospects into offering specific questions or objections. An example would be:

"How does the Acme Word Processor sound to you, Mr. Jones?"

7. Answers to Questions

Answers to commonly asked questions about the product, the company behind it, or the offer should be scripted. Answers should lead directly to the close.

8. Responses to Objections

Commonly-raised objections to buying the product should have scripted responses that also lead to the close.

9. The Second Effort

An additional short sales pitch should be scripted for use whenever the prospect is undecided or is negative without offering specific objections. In some cases a similar third effort may be desirable. The second (or third) effort may consist of a step-down offer.

10. Second Close

The prospect is again asked to agree to the offer. (If agreement is obtained the telephone representative proceeds to step 12. If not, the rep may return to step 6 or a step-down offer.)

11. Final Close

The prospect is asked for a "yes" one last time.

12. Reconfirmation

The terms of what the customer has agreed to are repeated.

13. The Farewell

No matter what happens in the course of the call, it should be ended on a reassuring, friendly, and polite note so that the prospect hangs up feeling good about your company and has any desire to purchase your product reinforced. Before the final "good-bye" it is often extremely productive to ask the prospect for referrals—names and telephone numbers of friends or associates who may be interested in the offer.

F. Promoting Inbound Calls

While telephone response ads have much in common with other ads, there are also certain aspects of a good telephone response ad campaign which are unique. Perhaps the most important difference is that a telephone response ad to be successful must induce the prospect to interrupt leisure activities and pick up the telephone.

1. Emotional Appeals

One of the most effective means of getting prospects to interrupt their leisure is by appealing to the emotions. Particularly in fund raising, emotions are important motivators.

2. Artwork or Video

You can use the artwork in print or the video on TV to encourage telephone ordering. A satisfied customer shown dialing and ordering is one common example.

3. The 800 Number

The positioning and size of the 800 number will affect the response. For maximum phone response, show it in large type repeatedly.

4. Personal Service

The fact that the consumer can be served by a telephone order-taker who can answer questions is a benefit which can be mentioned in ads.

5. Convenience

It may also help to point out that you offer your customers the convenience of ordering in their own homes.

6. Faster Delivery

Another of the benefits of ordering by phone is faster delivery. However, don't just say, "For faster service call . . ." Make the benefit more tangible. For example, "In order to free yourself from kitchen drudgery as quickly as possible, order the Acme Vegetable Chopper by telephone. Our operators are standing by to speed this labor-saving miracle to your home."

7. Sense of Urgency

You can increase telephone response by creating a sense of urgency. Phrases such as "limited time offer" and "call today" can help. If you are generating the phone response by mail, using a laser printer and telegram format will heighten the perceived sense of urgency.

8. "Toll-Free"

The fact that an 800 number call is free to the customer is another service benefit. Point this out by using the words "toll-free."

G. Effective Telephone-Oriented Promotion

If the above advice is heeded, if sufficient lead time is allowed to plan and implement the campaign, and if knowledgeable and experienced professionals are consulted or employed, you will hear the greatest possible number of your prospects respond to your promotion by using the telephone to convey that magic word, "yes."

10

Delivery Systems

by
Richard A. Barton
DMA, Washington

A. United States Postal Service

1. Rates and Classifications

U.S. Postal Service rates and classifications are determined in a complicated process requiring a proposal of the USPS Board of Governors, a recommended decision by the Postal Rate Commission, and final action by the Governors. At present, there are four major classes of mail, first through fourth, with each receiving different types of service. The class of mail and the service it receives from postal workers determines the rate charged to users of each class.

First Class — Users pay a premium rate to receive significantly faster and more costly handling. Approximately 20 percent of all First Class letter mail is direct mail. About five percent of all First Class mail consists of business reply envelopes and cards.

Second Class -- A diverse grouping of five subclasses including magazines, newspapers and other periodical publications. These subclasses are: *regular rate mail, classroom publications, nonprofit mail, transient rate mail* and *within county mail*.

Third Class — All types of advertising including items such as newsletters; consists of single piece, regular bulk and nonprofit mail.

While direct mailers use several classes of mail (see page 86 for chart "Number of Pieces of Mail Attributable to Direct Mail"), they primarily take advantage of the lower rates provided by the third class, regular bulk category. A $40 bulk mailing fee is required for each calendar year or portion thereof. In addition, a $30 application fee is required to mail permit imprint matter. Authorized nonprofit bulk mailers must also pay these fees. It is estimated that approximately 400,000 third class permits are currently held. (No actual figure is available because each of the 30,000 post offices may issue these permits, and each maintains its own records of those to whom they are issued.) An estimated 90 percent of these permit holders have fewer than 100 employees and an estimated 50 percent have fewer than nine employees.

- To qualify for Third Class Bulk rates, the business mailer (or direct mailer) must ZIP Code, sort, bundle, tie, bag and personally deliver the sacks of mail to the post office. The business mailer performs up to half of the basic tasks normally performed by the Postal Service for first class mail.
- At all post offices, no third class mail is touched until all first class mail has been handled.

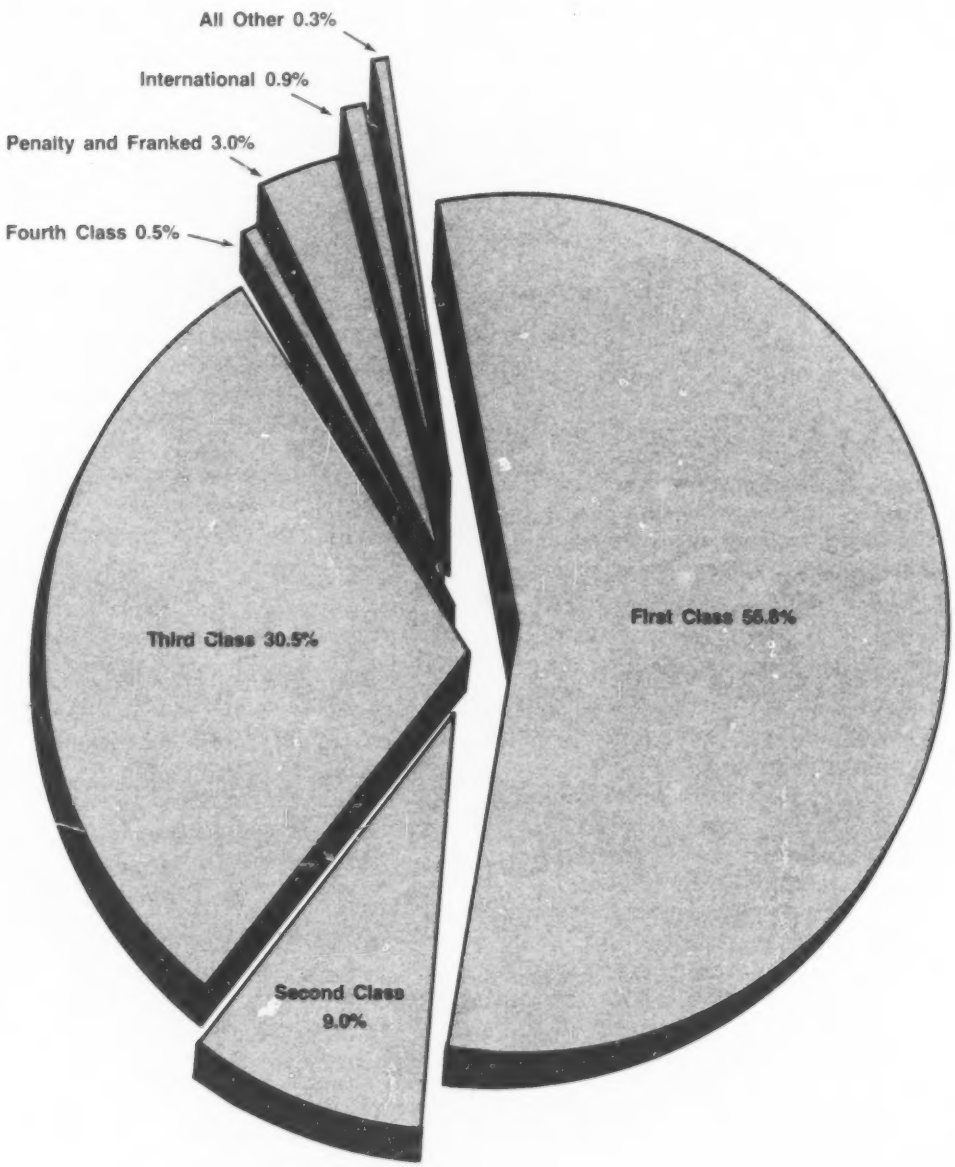
Fourth Class — Mailable matter which is not mailed at first or second class rates and weighs 16 oz. or more. This is the principal category for the mailing of parcels. There are special rates for books and records. Library rates fall under fourth class mail.

International Mail is divided into two general categories:

Postal Union Mail — Letters, letter packages, aerograms and post cards which fall under the subdivision of LC mail (letters and cards). AO mail (any other, books, newspapers, periodicals, as opposed to parcels) includes printed matter for the blind and small packets. There is a weight limit of four pounds to all countries except Canada which has a 60-pound limit.

Parcel Post has different weight and dimensional limits. For detailed information, ask to see Publication 42, "International Mail," filed in your local post office.

2. Composition of Mail—Fiscal Year 1981



Pieces of Mail
(in billions)

Mail Classification	Fiscal Year 1981	Fiscal Year 1980	Percent Change
First Class	61.41	60.28	1.9
Second Class	9.96	10.22	−2.5
Third Class	33.61	30.38	10.6
Fourth Class	0.59	0.63	−6.3
Penalty and Franked	3.30	3.50	−5.9
International	0.89	0.96	−7.3
All Other	0.37	0.34	8.8
Total Mail	110.13	106.31	3.6

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3. Brief History of Selected U.S. Postal Rates

E.D.=Effective Dates

Year	1st Class 1st oz. E.D.		Air Mail 1st oz. E.D.		3rd Cl. Single Piece 1st 2 ozs. E.D.	
1960	8/1/58	4¢	8/1/58	7¢	8/1/58	3¢
1961		4¢		7¢		3¢
1962		4¢		7¢		3¢
1963	1/7/63	5¢	1/7/63	8¢	1/7/63	4¢
1964		5¢		8¢		4¢
1965		5¢		8¢		4¢
1966		5¢		8¢		4¢
1967		5¢		8¢		4¢
1968	1/7/68	6¢	1/7/68	10¢	1/7/68	6¢
1969		6¢		10¢		6¢
1970		6¢		10¢		6¢
1971	5/16/71	8¢	5/16/71	11¢	5/16/71	8¢
1972		8¢		11¢		8¢
1973		8¢		11¢		8¢
1974	3/2/74	10¢	3/2/74	13¢	3/2/74	10¢
1975	12/31/75	13¢	12/31/75	17¢	12/31/75	13¢
1976		13¢		17¢	7/18/76	14¢
1977		13¢	5/1/77 Domestic Air Mail Eliminated			14¢
1978	5/29/78	15¢			5/29/78	20¢
1981	3/22/81	18¢			3/22/81	18¢
1981	11/1/81	20¢			11/1/81	20¢

Year	3rd Class Regular Bulk Min. Per Piece E.D.		3rd Class Bulk Non Profit Min. Per Piece E.D.		Parcel Post (Local) E.D.	Per Pc.	Per. lb 1-5
	1/1/59	2¢	1/1/59	1¢			
1960	7/1/60	2.5¢	7/1/60	1.25¢	2/1/60	20¢	+2¢
1961		2.5¢		1.25¢		20¢	+2¢
1962		2.5¢		1.25¢		20¢	+2¢
1963	1/7/63	2.625¢		1.25¢	4/1/64	25¢	+2¢
1964	1/1/64	2.75¢		1.25¢		25¢	+2¢
1965	1/1/65	2.875¢		1.25¢	1/15/67	25¢	+2¢
1966		2.875¢		1.25¢		25¢	+2¢+10¢
1967		2.875¢		1.25¢			to nearest 5 or 10¢
1968	1/7/68	3.6¢	1/7/68	1.4¢	10/19/68	45¢	+2¢ – to nearest 5¢
1969	7/1/69	3.8/4.0¢*	7/1/69	1.6¢		45¢	+2¢
							1 lb. not more than 2 lbs.
1970		3.8/4.0¢*		1.6¢	11/14/70		60¢
1971	5/16/71	4.04/4.2¢*	5/16/71	1.7¢			60¢
1972	3/12/72	5.0¢		1.7¢			60¢
	7/6/72	4.85/5.0¢*					
1973		4.8/5.0¢*		1.7¢			60¢
1974	3/2/74	6.1/6.3¢*	7/6/74	1.8¢	3/2/74		61¢
1975	12/31/75	7.7/7.9¢*		1.8¢	9/14/75		67¢
					12/31/75		77¢
1976	7/6/76	7.7/7.9¢*	7/6/76	1.9¢			77¢
	7/18/76	7.5/7.7¢*	7/18/76	2.0¢			
1977		7.5/7.7¢*	7/6/77	2.1¢			77¢
1978	5/29/78	8.4¢	5/29/78	2.4¢	5/29/78		$1.15
			7/6/78	2.7¢			
			7/6/79	3.1¢			
1979							
1980		8.4¢†	7/6/80	3.5¢††			
1981	3/22/81	10.4△	7/6/81	3.8°	3/22/81		1.38
1981	11/1/81	10.9△△	1/10/82	5.90¢	11/1/81		No change
			7/24/82	4.90¢			

* = 1st 250M pieces per year at initial figure

** Editor's Note: Full *Domestic Mail Rate History* of all classifications, weights, discounts available is on file with DMA Information Central.

† A 1.7¢ per piece discount for mail zoned to carrier route offered.

†† A .03¢ per piece discount for mail sorted to carrier route offered.

△ A 1.6 per piece discount for mail sorted to 5-digit offered; a 4.0 per piece discount for mail sorted to carrier route.

△△ A 1.6 per piece discount for presort to 5-digit ZIP; a 3.0 per piece discount for presort to carrier route.

° A .9 per piece discount for presort to 5-digit ZIP; 1.9 for piece for presort to carrier route.

B. Private Express Statutes

The origin of statutory restrictions on private delivery of letters developed in the days of absolute monarchs of Europe, who engaged carriers on a regular basis to transport official correspondence among the courts by using established way stations. It was common practice in Europe, prior to 1700, to grant monopolies for mail delivery. Between 1700 and 1740, most European countries assumed control of the existing private systems, to ensure that regular communications necessary for the transactions of government business were carried out efficiently.

In the United States, the Private Express Statutes marked the beginning of what was to become known as the United States Postal Service (USPS). These Statutes were based on the restrictions of private mail delivery to ensure the creation of a stable, functioning postal system. Even after the postal system had developed and expanded to provide universal, inexpensive and prompt postal service, the Private Express Statutes remained, and private competition was restricted to perpetuate the "secure economic foundations of the United States Postal Service."

1. Restrictions on Delivery

Private Express Statutes restrict the delivery of letter correspondence directed to a particular individual at a given address. The correspondence must be delivered into the householder's or office's letterbox or mail slot by the USPS. If delivered by private carrier, postage must be affixed and cancelled. In other words, a private carrier may deliver but the sender must still pay the Postal Service's fees. And, the private carrier may not place any material into the letterbox or mail slot.

For many third-class mailers who are sending out non-addressed, promotional pieces, it is efficient and less costly to place their ads in a see-through envelope which hooks over the doorknob. It ensures delivery to the household without the expense of sending it through the USPS. This practice is commonly referred to as "doorknob delivery" and is an accepted practice that does not conflict with the restrictions of private delivery of letters, since it is not addressed. *However, the mailbox may not be used.*

2. Regulations to Know

There are numerous suspensions and exemptions to the Private Express Statutes and a significant body of regulations concerning them. Before private delivery of any material which could even remotely be considered a letter (e.g., data processing material), these regulations must be considered.

The general outline of the regulations is contained in section 112 of the Domestic Mail Manual (which replaced the old Postal Manual on August 30, 1979). Specific, detailed regulations are contained in the Code of Federal Regulations, 39 CFR Parts 310 and 320. The Postal Service also publishes *Questions Answered on Private Express Statutes*. Both the regulations and the pamphlet can be obtained from the Assistant General Counsel, Legal Affairs Division, U.S. Postal Service, Washington, DC 20260.

Recent rules have been adopted by the Postal Service designed to tighten and modernize the application of the Statutes. Of particular interest to many direct marketers is the final rule adopted in August of 1980 which suspends the Statutes for advertising circulars placed in parcels carried outside the mail. The Postal Service made a proposal in December 1978 which would have severely restricted—and probably destroyed—this important business. As a result of cogent arguments presented by the industry, however, the Postal Service decided that the proposed rule would be counter-productive, as would be the enforcement of existing laws restricting parcel inserts. Now, for the first time, there is no question about the legitimacy of this practice.

C. Use of the ZIP Code

1. History

A new method of mail sorting and distribution called the Zoning Improvement Plan, or ZIP Code, was initiated on July 1, 1963. It was intended primarily for business mail, but has gained widespread public acceptance and has contributed substantially to the increased efficiency with which a much larger volume of mail is now handled.

The *first* of the five digits indicates one of ten geographic areas; the *second* indicates a state or geographic portion of a heavily populated state, or two less-populated states within the geographic area; the *third* digit indicates a major destination point within the state; and the *last two digits* represent either a postal delivery station of a large city post office, a smaller post office served from a sectional center, or a single office building receiving large volumes of mail.

2. ZIP + 4 Code

ZIP + 4, also called the nine-digit ZIP Code, is primarily intended as a business system, designed to allow the Postal Service to introduce

automation to sort the nation's growing volume of mail, 83% of which originates with the business mailer. The Postal Service emphasizes that ZIP + 4 will be an entirely voluntary program; no one will be required to use the expanded ZIP Code.

With only a few exceptions, the first five digits of the ZIP + 4 code will be the present ZIP Code. These numbers will be followed by a hyphen and four new numbers. The first two of the new digits will identify a specific sector of a delivery zone which may consist of several blocks, a group of streets, large buildings, or a small geographic area. The last two numbers divide sectors into even smaller areas called segments; one side of a city block or both sides of a particular street, one floor in a large building, specific departments within a firm, a cluster of mailboxes, sections of post office boxes, or other similar geographic groupings.

While the present ZIP Code enables the Postal Service to machine sort to the delivery post office, ZIP + 4 will allow automated sortation directly to a carrier, reducing the sorting now done by clerks who must memorize the addresses delivered by each carrier.

At the originating office, optical character readers (OCRs) will locate and read the city, state and ZIP Code, and special printing units will apply a "bar code" on most letter size mail. The bar code, consisting of a series of vertical bars and half bars that correspond to the ZIP + 4 code, allows all subsequent sorts to be done by high speed, low cost bar code sorters (BCRs). This equipment will minimize manual reading and sorting, thus reducing costs through improved sorting speed, accuracy and efficiency.

In order to make the expanded ZIP Code profitable for business mailers, the Postal Service intends to offer discounts for mail presorted by ZIP + 4 codes. In fact, USPS asked the Postal Rate Commission to approve a new ZIP + 4 bulk subclass of First Class Mail, for which a half-cent discount per First Class letter or card would be allowed to mailers meeting the qualifying conditions. As proposed in the spring of 1981, the rate reduction would have been allowed for First Class letters or cards, mailed 500 or more at a time, bearing the ZIP + 4 code that could be read by optical character reading equipment. Mailers now earning a discount by presorting their First Class mail to three and five digit ZIP Codes would have saved an additional half-cent per piece if they also used the nine-digit ZIP Code.

However, before approval of this specific discount could be obtained, the entire process of implementing the expanded ZIP Code was delayed by Act of Congress. The Budget Reconciliation Act of 1981 forbade the Postal Service to put into effect any system using more than five digits before October 1983. Permission *was* given to USPS to take any early action required to put the system in place at that time, and there was specific mention of allowing "dissemination of information concerning the program."

The Postal Service thus decided to continue with its plans for notifying mailers of ways they may begin to prepare to use the ZIP + 4 codes. A sample computer tape has been available on a loan basis at no charge, for instance, so that business mailers could become familiar with the type of software needed to integrate ZIP + 4 into their present systems. Additionally, the Postal Service plans to offer a one-time conversion service for mailers who have manually maintained address files of over 500 names. Complete details about obtaining the sample tapes or the national directory of tapes, as well as information about the list conversion service, are available through postmasters or customer service representatives.

The Postal Service has notified by mail those firms and government agencies with unique ZIP + 4 codes and post office boxholders to give them time to plan and prepare for the process of converting larger address files, stationery, forms, etc. The public will receive a small supply of self-adhesive stickers containing their ZIP + 4 code as the implementation date draws nearer.

D. Selected Quotes in Support of Direct Mail

The persistent charge that third-class mail does not support itself and is subsidized by the other classes is, in fact, not true. All of the recent Postmasters General have testified to the fact that it does pay its way.

> ***There are those critics (who) operate under the misconception that their "regular" mail subsidizes your third-class mail. To that notion, I can only say that your mail is a treasure to the Postal Service.***
>
> ***What these critics conveniently overlook is that the direct mail industry pays its own freight—if you'll pardon the pun. The critics often do not understand that each class of mail pays the direct costs of the service we provide, and they do***

not realize that, without the crucial volume your industry provides, the rates of all other classes of mail may rise as we were forced to spread our fixed expenses over a lower base of total volume.

Postmaster General William F. Bolger
Direct Marketing Day in New York
June 1981

Direct Mail advertising is valuable business for the Postal Service. The revenue from this class of mail makes a large contribution towards the fixed costs of a delivery network that serves more than 70-million homes, farms and businesses. Without this volume, we would be forced to increase rates for letters and other classes of mail.

Postmaster General William F. Bolger
DMA Government Affairs Conference
May 1978

I have always looked upon your industry as a major contributor to our nation's gross national product.

Representative James M. Hanley
Testifying before the Subcommittee on Postal Operations and Service on HR 7700
July 19, 1977

Third class commercial mail now pays its attributable costs and contributes more than $450-million toward the institutional costs of the postal system—the maintenance of 40,000 postal facilities across the land. If more costs are attributed to subordinate classes of mail and volume continues to decline, either the burden on the first class mail user or on the taxpayer must increase. (Report of the Commission on Postal Service, *Volume I, page 63, issued April 1977.)*

At the December 11, 1975, hearing conducted by the Privacy Protection Study Commission, Robert F. Jordan, then Director of the Office of Product Management for USPS, testified:

. . . 16 cents out of every dollar earned by the Postal Service in the 1973 base year is traceable to the Direct Marketing industry. Overall, the Postal Service earned 1-billion, 287-million dollars from services used by the industry that year. Of this amount, 793-million dollars was used to pay 100% of the attributable costs of the services we provided. The remaining 494-million dollars helped defray the institutional costs of maintaining the postal system. Advertising mail not only pays its own way, but helps support the postal system for the use of other mailers. *(Emphasis supplied.)*

E. Services Provided By USPS

1. Customer Service Representative

Probably the most valuable service provided to mailers by the Postal Service is the Customer Service Representative, a consultant whose services are gratis for USPS' business customers.

The responsibilities of the customer service rep are varied. They include: helping a business set up its mailroom in the most efficient manner possible to insure a better flow of mail and advising businesses how to achieve the most economical mailing system—what type and size of metering machines are required for that particular usage, what size scales, letter opening machines, etc.

Upon request, seminars can be held in a business' offices to educate the company's staff on the different classes of mail available and the ways in which that company can take advantage of specialized services such as first class pre-sort. Forms and procedures are also explained.

To obtain the name of the customer service rep in your area, contact your local Post Office.

2. Special Mail Services

Express Mail was established in October 1977. Three basic types of services are available: (1) Same day airport service is available between designated airport mail facilities. The Postal Service will refund the postage for any item that is not available for claim by the time specified, unless the delay is stopped by strikes or other work stoppage, delayed or cancelled flights, or government action beyond the control of the Postal Service or air carriers. (2) A custom-designed service that is available only on a scheduled basis between designated mailable-matter offices, airport facilities and all other addresses within designated 3-digit ZIP Code delivery areas. (3) Next Day Service is available at certain retail postal facilities with overnight service to designated destination facilities or locations for items dropped by 5 p.m.

International Express Mail is similar to domestic Express Mail except there is no service guarantee. Further information can be found in the *Postal Manual*, Section 180, "Express Mail" and Section 494, "International Express Mail."

Mailgram is another form of fast next-day

service. It is a joint offering of Western Union and USPS. A message may be entered by a telephone call to Western Union or by filing at a Western Union public office. The message goes through the Western Union computer system to the serving post offices and is delivered with the next business day's mail.

Free mail for the blind and other handicapped persons is available for blind persons or others who cannot use or read conventionally-printed material because of a physical impairment. These people must be certified by competent authority as being unable to read normal reading material. Again, for further information, consult your *Postal Manual*, Section 138.

3. Electronic Computer Originated Mail Service (E-COM)

The Postal Service in January 1982 began experimental use of an Electronic-Computer Originated Mail Service known as E-COM. E-COM service permits volume mailers to transmit computer-generated messages via telecommunications carriers to 25 serving post offices throughout the continental United States.

There is a minimum quantity of 200 messages per transmission. The Postal Service receives messages in its own computers, sorts the messages in ZIP Code sequence for efficient delivery, prints the messages on paper and inserts them into specially marked envelopes. Messages are then delivered as First Class Mail with a maximum of two-day delivery time. E-COM will not necessarily provide quicker service than First Class Mail but it is intended to free the customer from costly printing and processing burdens.

The future of this type of electronic mail is somewhat clouded. The question of regulation of the entire electronic communications industry is being actively debated by business, Congress and different branches of the Executive Department. It would be well to check with the DMA Washington office for the latest developments.

4. Postal Service Publications

The U.S. Postal Service publishes a number of books, pamphlets, newsletters and other material which are of immense value to the direct mailer. The bibliography of this *Fact Book* lists many of these publications.

F. Private Delivery

Since the Postal Reorganization Act of 1970, postal rates have increased dramatically, causing some mailers to search for alternative sources of delivery of their material.

1. Alternatives to First Class Letters and Priority Mail

Recently a number of alternatives to first class letters sent via the Postal Service have been offered to the public. These are permitted under the Private Express Statutes provided they meet certain criteria. Federal Express, Purolater Courier, major airlines and others offer these services. They are expensive but provide viable service in direct competition with the Postal Service's Express Mail. Because these services are not available to and from all locations, the best idea is to check with local offices of the carriers mentioned to confirm service and rates.

Other alternatives to first class mail include:

- Use of telephone combined with electronic fund transfers and other electronic communications.
- Use of toll free "800" numbers for business transactions such as orders, reservations, etc.
- Advertising in newspapers, magazines or on television.

In the area of priority mail—those first class (non-letter mail) shipments over one pound—there are numerous competitors ranging from United Parcel Service Blue Label (which offers two-day service from almost any point in continental United States) to a wide variety of other air forwarders such as Emery Air Freight. Shipments by these carriers are at rates competitive with the Postal Service priority mail rates. For example, a ten pound package from New York to Los Angeles via UPS Blue Label is $12.44 while the same package via the Postal Service is $11.46. (Rates in effect 9/81.)

2. Publishers Move to Alternate Delivery

During the early 1970s, a number of large publishers began testing alternate methods of delivering their magazines and newspapers at reduced costs. Meredith Corporation, a forerunner in alternate delivery utilization, reached a crossover point in 1977, private delivery having become more economical than mail delivery for *Better Homes and Gardens*.

The *Wall Street Journal*, which was being privately delivered in 88 cities in 1980, now uses private distributors in 114 cities. Other publications, particularly heavy ones, have since realized a savings of up to 5¢ per copy on alternate delivery. The newspaper or magazine is often combined with delivery of national and local advertising material (thus holding down the rates).

Rates for alternate delivery have often been enough below Postal Service rates to interest

publishers. The Postal Service, aware of this disappearing volume, has fought back by holding down rate increases on second class publications. Today you need to check with local alternate delivery companies to compare rates. See "Delivery Services" in your Yellow Pages.

3. Alternatives to Third Class Mailing

The private firms mentioned above can be of significant help in distributing some third class material such as merchandise samples and mass "saturation" mailings. Obviously, these private alternative companies have limited ability to deliver according to lists but, nevertheless, they should be examined for possible use. Again, we suggest you consult local organizations to determine services and rates.

4. Private Parcel Delivery

Private parcel deliverers handle about 80% of the nation's parcel shipments, with the United States Postal Service delivering about 20%. These percentages represent an inversion from 1959, when some 80% of all packages were delivered by the United States Postal Service. The most familiar of the private parcel deliverers is United Parcel Service, which alone delivers well over one billion packages a year as compared to under 250 million in parcel post. Additional private parcel deliverers would include air freight shippers such as Federal Express and Emery; ground transportation, such as bus lines and trucking firms as well as the inter/intra city couriers.

Estimated Private Delivery Systems Statistics

	1976	1977	1981
Estimated revenues (all companies):	$1 billion +	$1 billion +	$1.5 billion
Estimated number of pieces of advertising delivered (all companies):	8-10 billion pieces	10-12 billion pieces	35 billion pieces
Estimated number of private postal systems	5,000-10,000	5,000-7,000	5,000-7,000

5. Estimated Savings

Precise "savings" through private delivery are much more difficult to measure today because of the increasing use of private distribution as a marketing device. That is, the job being done by private carriers is evolving into a vastly different one than that being done by the Postal Service. For example, Meredith Corporation is routinely including direct advertising pieces, promoting products sold by other Meredith profit centers, along with privately delivered magazines. That practice, of course, isn't possible with mail delivery, making cost comparisons invalid.

In the same vein, an economic comparison of private delivery and mail delivery must not overlook revenues generated through marketing activities in conjunction with private delivery. Not only are revenues generated through the above mentioned practice, but, also, through private carriers' piggybacking local direct mail in a selective manner with the delivery of a particular magazine. By arrangement with the various publishers, the private carriers are able to offer local advertisers list selectivity of any one of the publications handled by that carrier. Typically, the carrier offers this selective delivery at 8¢ to 10¢ per household, paying the publisher 1¢ per household for use of that list. Not uncommonly, in some areas, five or six direct mail pieces may accompany the delivery of one magazine. Thus a publisher may be paying the carrier 15¢ to deliver a magazine but is in turn receiving revenue of five or six cents, effectively reducing his net delivery cost to nine to ten cents per copy.

Expansion of private delivery of magazines has slowed somewhat in the last two or three years because of the salutary effect private delivery has had on second class postal rates. Nevertheless, private delivery of magazines can be found in more than 30 cities or metropolitan areas throughout the country and is being done by both large and small distribution companies, the largest of which is Knight-Ridder (ADAMS), accounting for about half of all private delivery of magazines.

Another example of postal increases is that experienced by the book mailers. The average two pound shipment which cost 18¢ to mail in 1970 was raised to 81¢ in July 1979—a whopping 350% increase. Concerned with these exorbitant increases, Doubleday and other book publishers have been experimenting with alternate delivery systems since 1972. One attractive feature of private delivery of books is the ability to

stock books with the private carriers, thus reducing fulfillment time, the shipment having been made in advance.

The severe increases in Postal Service rates for this classification of mail in recent years have brought the rates up to a level where the UPS rates, for example, are highly competitive with the special fourth class rates.

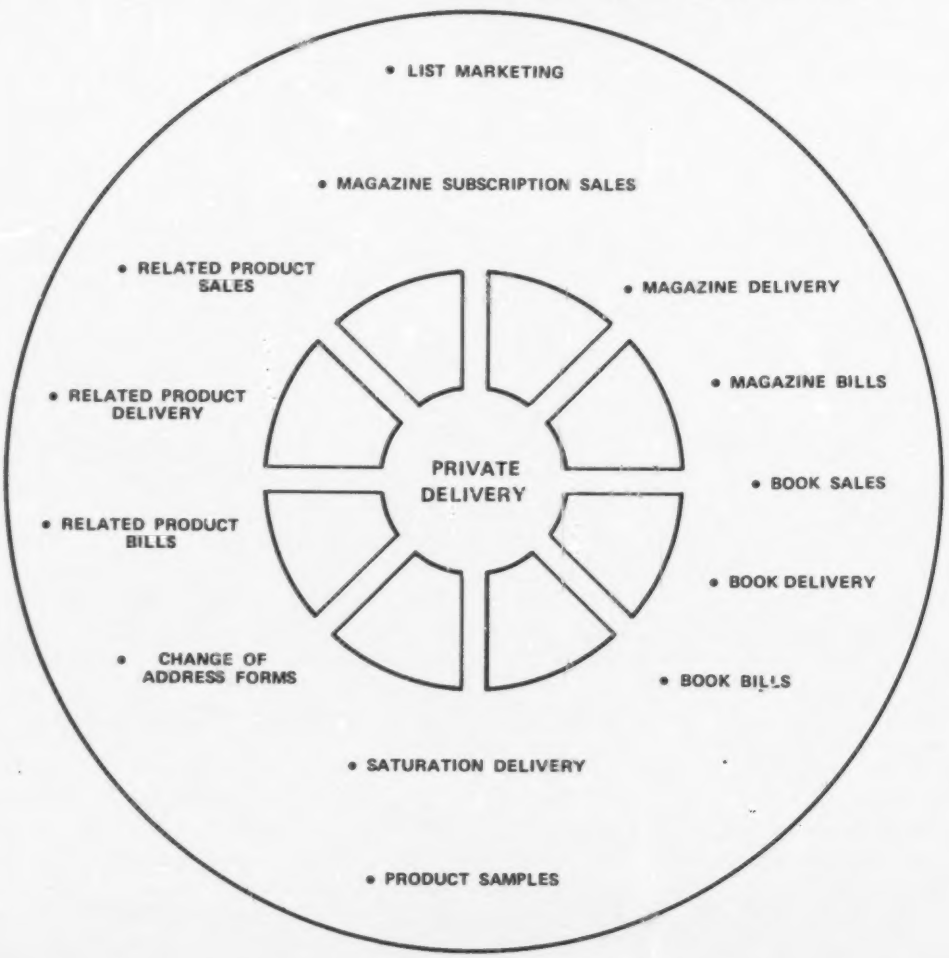
Rate competition is not the only factor to be considered. These carriers also compete on service. Features such as "next bus out" or UPS' $100 of automatic protection against loss or damage make the private sector increasingly attractive. Inquiry into these private carriers will produce service comparisons which show their standard service to be far superior to that of the Postal Service. Just to cite some examples, many private sector carriers provide pick-up of packages, signatures on delivery, tracing of packages and other attractive services. Many of these services are not available at all in the Postal Service or may have only limited application.

6. Distribution/Marketing

In addition to the marketing opportunities already mentioned, a wide array of other opportunities are presented through private delivery. A number of private distributors are routinely engaged in subscription selling, either as agents or in delivering subscription offers to publishers. Similarly, exciting results have been obtained through distributors functioning as agents in selling books, followed, of course, by immediate delivery of the product.

Another marketing opportunity, totally precluded through USPS delivery, is the inclusion of a product sample accompanying a magazine in which an ad for that product appears. These and other marketing opportunities are graphically illustrated here.

DISTRIBUTION/MARKETING:
PRIVATE DELIVERY, THE HUB



11

Fulfillment and Customer Service

by
Carol Flaumenhaft
Time-Life Books, Inc.

A. Introduction

It is extremely important to keep your customers happy. Happy customers will become repeat customers. Repeat customers increase profit. To this goal, it is extremely necessary to have a fulfillment system that is both cost efficient, time sensitive and satisfying to the customers.

B. The System

The process of fulfillment/customer service begins with a sales offer, then receipt of an order, accepting an order, processing an order, billing, shipping, answering mail as well as preparation of statistical reports for use as future sales tools—a good fulfillment system will encompass all and still be able to react personally to the ultimate customer no matter how large or small the company.

1. The Beginning

In order to begin this process, Fulfillment Managers should work very closely with Marketers, Writers and Designers. During the creative process of designing the ordering vehicle, be it Direct Mail, Space Advertising, Television or Telephone, make sure there is input from fulfillment.

Vitally important to a successful fulfillment operation is a well-designed order form with a clearly stated promotional offer. The advantages are twofold: (1) Fulfillment Operations Staff will be able to successfully program either a computer or a manual system to handle orders efficiently; (2) The customer will be able to clearly understand the offer.

2. The Order Form

- In addition to the copy being clear, the offer must also adhere to federal and/or state regulations.
- On turnaround documents, it helps either to have a customer's name and address preprinted on a label or the form itseif. This helps process an order faster, insures accuracy and permits you to identify mail sources.
- The price of the product must be clearly stated.
- If merchandise is to be sent on a regular basis the shipping intervals should be stated.
- If the order includes "cash with order" option, it's a good idea to insure sufficient inventory is available in advance. If there is any doubt, be sure to adhere to the *FTC 30-day Rule*.
- For "multi-installment payment" options, be sure that the regulations involving *Federal Truth In Lending Laws* are adhered to.
- In the past few years the use of the toll-free 800 number to accept orders has increased substantially. Therefore, attention should be placed on designing an order form for in-take operators, whether it be an in-house telephone response center, an outside bureau or local radio or TV stations. This form should be pre-designed to gather each piece of information you wish to receive from the customer.

3. 800 Toll-Free Numbers

It is also possible that the 800 number will receive a complaint or a comment. Therefore, phone operators should be trained to handle these non-order calls. The caller may be a willing

customer but wants to clear up an inquiry first. If this question is not answered, the order may not be placed.

4. Order Processing

It is imperative that orders are processed promptly. A new order should be fulfilled within 24 to 72 hours. A warehouse may need an additional 24 to 48 hours to complete the fulfillment shipping process.

5. Delayed Orders

In the event that you realize that there may be a delay in shipping an order, it is important to send out a delayed delivery acknowledgement. Postcards are not too expensive and prevent a lot of non-receipt complaints, as well as helping to prevent product returns.

6. Payment and Return Processing

It is important to any company to get payment for orders into the house as soon as possible. It is important for the customer to have his or her account properly credited. Therefore, design clear and easily-readable invoices. As important as it is for a customer to understand the order card copy of an offer, it is equally important that he be able to understand what he is being billed for on that bill. Make sure price, tax and shipping and handling are stated clearly on as "uncluttered" an invoice as possible. Do be sure to let your customer know exactly what to do if merchandise received is damaged. Where practical, enclose a pre-addressed envelope. If possible use a turn-around document, then, when payment is received you have the customer's correct name and address and/or a code to enable you to properly credit the account.

7. Complaints

Two major sources of complaints are: (1) Being billed again for a bill a customer has already paid, and (2) being billed again for a product already returned. Entering payments and returns fast helps keep the volume of dunning notices low and, therefore, complaints down.

8. Handling Mail

Mail can be categorized as Order or Non-Order. Included in non-order are complaints. A major decision is how many complaints should be answered versus how many complaints should be thrown away. In many cases, corrective action will have been taken before you receive the complaint. It is more important to have taken the corrective action than to answer the complaints.

As many legitimate complaints are extremely complicated, it helps to have a Customer Service Form designed to be easily filled out listing major complaint categories.

9. Answering Complaints

Complaints can be answered in various manners.

- Non-billing complaints can be answered on postcards.
- As most complaints are standardized, many can be handled with a computer letter or with word processors. In both cases it is easy to write one letter with a selection of different paragraphs. Using computer letters instead of pre-printed forms permits more flexibility and reduces the cost of keeping too many forms in storage. More importantly, the relationship with the customer improves. The customer believes the computerized letter is more personalized.
- Dictated letters can add a lot of time and much cost to the fulfillment process.
- Many times a simple statement of account is all that is necessary to satisfy a customer.
- It is a good idea to answer "irate" customers with a phone call after the problem has been researched. Many of these urgent and insistent irate complaints are standing in the way of a sale.

10. Other Non-Order Mail

Not all letters are complaints. Many are sales requests—customers wanting more information about a company or about a product. Have a brochure, a catalog, or a form on hand to answer inquiries. All mail should be handled promptly, within five days, whether it be complaints, adjustments to accounts or information requests.

11. Quality Control

- Have optimum cycle times, and, on a day-to-day basis, watch current cycles. How long does it take to enter an order? Are there backlogs? How long does it take to adjust an account? How long does it take to answer mail?
- Watch complaints from month to month.
- Check the kinds of inquiries received. This might point out a confusing order card or advertisement.
- Check your shipping process by mailing "sleeper" products as well as promotions. Ask these reporters for receipt dates and physical condition of merchandise. Determine the amount of time it has taken an order to process "in-house," in the warehouse, plus UPS or USPS.
- Read customer mail—they have a lot to tell you about your system.

12. Research

Some companies use "focus groups" to determine customer interest in product and/or service. Others use telephone surveys. Still others use questionnaires. All of them are good.

D. Conclusion

Remember, it is difficult to get a customer. Much money has been spent to receive that first order. Repeat customers are profitable. In order to keep a customer the buyer must be happy and satisfied with service.

E. Samples of "The System" Materials

Detach before mailing.

Place FREE BOOK TOKEN here. Just moisten back of token. No glue needed.

Mail today!

THE OLD WEST

YES, I would like to receive *The Gunfighters* absolutely FREE. Please send it to me along with my free *Gun Chart* and enter my subscription to THE OLD WEST. I will then receive future volumes in THE OLD WEST series, shipped one at a time approximately every other month. Each volume will be $12.95 plus shipping and handling and will come on a 10-day free-examination basis. There is no minimum number of books that I must buy, and I may cancel my subscription at any time simply by notifying you.

If I do not choose to keep my second volume, I will return the book within 10 days, my subscription for future volumes will be canceled and I will be under no further obligation. The first volume, *The Gunfighters*, and the accompanying *Gun Chart* will be mine to keep absolutely FREE.

Send for your FREE book *The Gunfighters!*

560513 CENVR318J83 C1C604 31 6
J B CHENELLE
3318 VERNON
BROOKFIELD IL 60513

TIME LIFE BOOKS

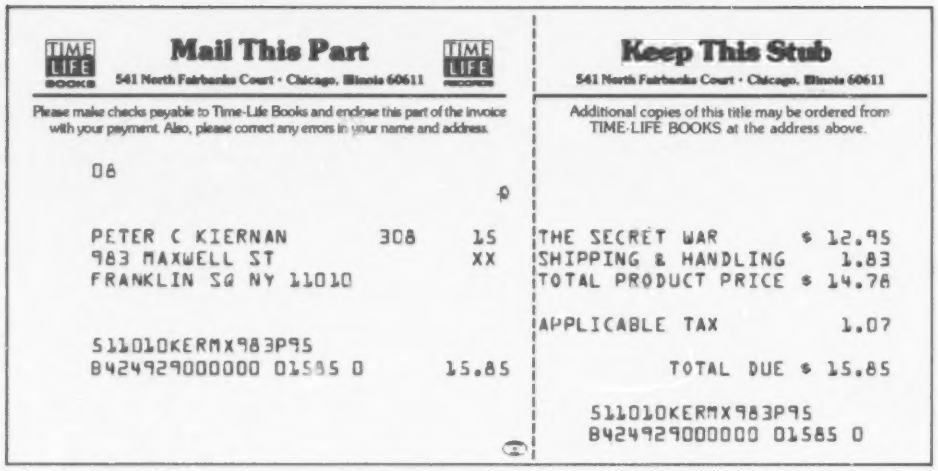
Mail this postage-paid card today to receive your FREE BOOK!

Please initial here _____

CPB

BRC w/printed label

Invoices showing product charge, shipping and handling, and tax.



Mail This Part

541 North Fairbanks Court • Chicago, Illinois 60611

Please make checks payable to Time-Life Books and enclose this part of the invoice with your payment. Also, please correct any errors in your name and address.

08

PETER C KIERNAN 308 15
983 MAXWELL ST XX
FRANKLIN SQ NY 11010

511010KERMX983P95
B424929000000 01585 0 15.85

Keep This Stub

541 North Fairbanks Court • Chicago, Illinois 60611

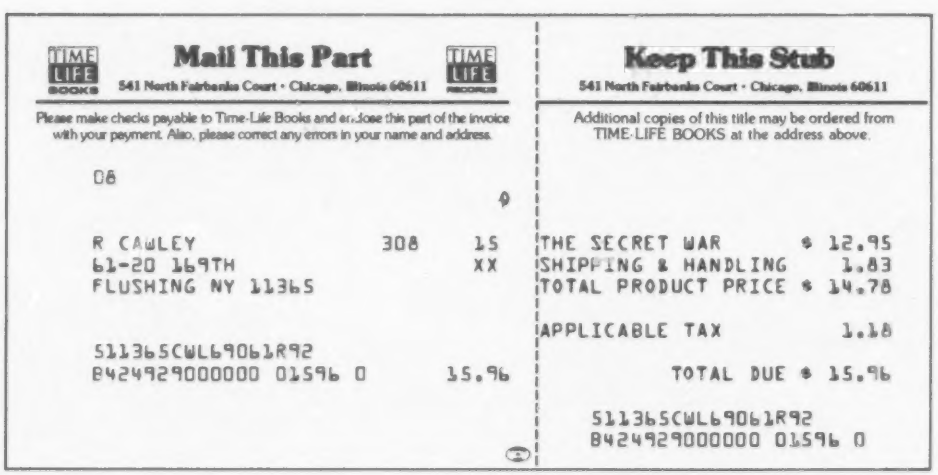
Additional copies of this title may be ordered from TIME-LIFE BOOKS at the address above.

THE SECRET WAR $ 12.95
SHIPPING & HANDLING 1.83
TOTAL PRODUCT PRICE $ 14.78

APPLICABLE TAX 1.07

TOTAL DUE $ 15.85

511010KERMX983P95
B424929000000 01585 0



Mail This Part

541 North Fairbanks Court • Chicago, Illinois 60611

Please make checks payable to Time-Life Books and enclose this part of the invoice with your payment. Also, please correct any errors in your name and address.

08

R CAWLEY 308 15
61-20 169TH XX
FLUSHING NY 11365

511365CWL69061R92
B424929000000 01596 0 15.96

Keep This Stub

541 North Fairbanks Court • Chicago, Illinois 60611

Additional copies of this title may be ordered from TIME-LIFE BOOKS at the address above.

THE SECRET WAR $ 12.95
SHIPPING & HANDLING 1.83
TOTAL PRODUCT PRICE $ 14.78

APPLICABLE TAX 1.18

TOTAL DUE $ 15.96

511365CWL69061R92
B424929000000 01596 0

SPECIAL CUSTOMER SERVICE

Just fill out the form below . . . .
YOU NEED NOT WRITE A LETTER

Dear Time-Life Customer:

Please fill in the special Customer Service Information Form if your account requires adjustment. It is not necessary for you to write us. The use of this form will ensure prompt and accurate adjustment of your account.

- IF your name and address is not listed correctly on the front of this statement, please give us your correct name and address in section 1.
- IF we should adjust your account because you already paid for, or never received, a volume listed on this statement, please fill in section 2.
- IF you returned to us a volume listed on this statement, please fill in section 3.
- IF your question or problem cannot be resolved in any of the first three sections, please fill in section 4 or give us your telephone number and we'll call you.

CHANGE MY ADDRESS TO

Correct Address

1

Name_____

Street_____

City_____ State_____ Zip_____

ADJUST MY ACCOUNT

2

I already paid for: (date)

(1)_____

(2)_____

I never received:

(1)_____

(2)_____

(Please list titles)

I HAVE RETURNED

3

(1)_____ (date) ( )

(2)_____ (Please list titles) (date) ( )

Because (A) It was damaged; please replace.
(B) I did not want it; credit my account.
Please fill in A or B after title of volume.

I NEED OTHER SERVICE

4

☐ as follows_____

☐ Call me. My daytime telephone number is:
Area Code ☐☐☐ ☐☐☐ ☐☐☐☐

Customer Service Form

A delayed delivery acknowledgement in postcard format.

OCTOBER 26, 1981

Dear Reader:

Thank you for ordering a ten-day free examination of WORLD WAR II - ISLAND FIGHTING.

We regret to inform you that there will be a delay in shipping the volume to you. Orders are exceeding our expectations and our stock of the volume is temporarily exhausted. However, we have made arrangements to secure an additional supply as quickly as possible.

Your patience is greatly appreciated. We hope that the delay in shipment will be a short one, and that your copy of this popular volume will be on its way to you soon.

200917YNECE504V9 B42410 B012

Computerized letters

TIME LIFE BOOKS

FROM THE DESK OF J. Noonan

Time & Life Building — Chicago, Illinois

ROBERT CORBARD
101 BANK ST APT 5
SEYMOUR CT 06483

OCTOBER 27, 1981

09325BA83CP00101AP9
SEAFARERS

Dear Reader:

Thank you for your order for SEAFARERS - THE PIRATES.

In checking our files we find that you haven't paid for previously ordered items. Under the circumstances, we are unable to ship your product at this time.

When you return this letter with a check for the unpaid balance, we will fulfill your order as quickly as possible.

Your unpaid balance is noted at the bottom of this letter.

We look forward to hearing from you.

PRODUCT	TYPE	AMOUNT
THE OLD WEST	THE GREAT CHIEFS	$34.95
REVISED PHOTOGRAPHY	ZBL6P	$34.95

ENCLOSURE: ENV

TIME LIFE BOOKS

FROM THE DESK OF J. Noonan

Time & Life Building — Chicago, Illinois

KARL NICKEL
7835 FAIR OAKS LOOP
OLYMPIA WA 98503

OCTOBER 27, 1981

03755765D3WCKPI35SC9
LIB OF PHOTOGRAPHY

Dear Reader:

Below is a statement of your account. If your records are not in agreement, please return this with complete details. We will, of course, make any necessary adjustment.

SHIPPED TO YOU	STATUS	OTHER INFORMATION
THE CAMERA	RETURNED	SENT ON 05/22/81
PHOTO CHILDREN	PAID	SENT ON 01/23/81
PHOTOGRAPHING NATURE	PAID	SENT ON 12/12/80
FRONTIERS OF PHOTO	PAID	SENT ON 09/12/80
THE PRINT	PAID	SENT ON 06/27/80
COLOR	PAID	SENT ON 05/12/80

TIME LIFE BOOKS

FROM THE DESK OF J. Noonan

Time & Life Building — Chicago, Illinois

MRS S J ABLEMANN
8830 CARDINAL ST
FOUNTAIN VALLEY
SANTA ANA CA 92708

OCTOBER 22, 1981

04305S2708ALECR8305Y
COLLECTIBLES

Dear Reader:

Thank you for writing.

Please return any volume you do not wish to keep.

TIME-LIFE Books
4200 N. Industrial Blvd.
Indianapolis, In. 46254

Mark your name and address on the carton exactly as they appear on your billing statement. Return the bill separately with the notation you've returned the book and the date. When we receive it, we'll cancel the charges.

We appreciate your interest in TIME-LIFE BOOKS.

12

Credit and Collection

by

Jerry Murphy, President
Fairbanks Associates, Management Consultants

and

Terri Lucks, Vice President
The North Shore Agency

Credit and Collection statistics specific to the Direct Marketing Industry have been distinguished primarily by their scarcity. To make an attempt to develop more relevant data for this chapter of the DMA *Fact Book*, a questionnaire was mailed to 600 randomly selected members of DMA out of the total membership of 934 whose classification indicated that they sold their products by mail to either consumers or business.

The questionnaire requested anonymous replies to the following questions;

- What is the dollar ($) value of your average order?
- Assuming a Bill Group to be 100%:
    a. What is the average percent response to your 1st Bill Effort?
    b. What is the average percent response to your 2nd Bill Effort?
    c. What is the average percent response to your 3rd Bill Effort?
    d. What is the percent response to all subsequent efforts?
- What is the average number of weeks between bill[illegible] efforts?
- Do you utilize the services of a Collection Agency?
- If the answer to the preceding is YES, what percent of the amount turned over to them are they able to collect?
    a. 0% to 5%
    b. 5% to 10%
    c. 10% to 15%
    d. 15% to 20%
    e. 20% to 30%
    f. 30% or more
- Please check the ONE description that best describes your primary customer.
    a. Consumer (general)
    b. Consumer (special interest)
    c. Business (in general)
    d. Small Business
    e. Medium to Large Firms
    f. Specific Businesses or Occupations
- What is your annual Bad Debt percentage? (as a percentage of Gross Annual Sales)
- Do you check orders against a Bad Debt List, or use a credit checking service?
- Do you accept Credit Card Orders?
- If the preceding answer is YES, which cards do you accept?
    a. MasterCard
    b. VISA
    c. American Express
    d. Diners Club
    e. Other
- Do you promote direct "Bill Me's" in the same promotion efforts with "Charge my Card"?
- At what dollar credit limit do you stop shipping Charge Orders to a Customer?

A. Survey Results

Ninety-two companies of those queried responded. Of these, 53 indicated that they would

describe their principal customers as *CONSUMERS* and 39 described their principal customers as *BUSINESS*. Publications were represented in both responding groups. Beyond that category no attempt was made to further define the character of the company's product(s) other than that they were sold by mail. Each group of responses constituted a sufficient sample of this DMA membership group at 9.8% to meet statistical requirements for a valid sample.

After coding, keypunching and tabulation, the first data that emerged somewhat contradicted the title of this chapter. Thirty percent of those reporting in the *CONSUMER* group of companies reported that they *did not* accept Credit Orders. This compared to 5% of the *BUSINESS* group companies reporting that also did not accept Credit Orders.

B. Average Dollar Value per Order

The *CONSUMER* group reported an average value per order ranging from five dollars ($5.00) to three hundred dollars ($300.00) for an overall average dollar value per order of fifty-eight dollars and forty-three cents ($58.43).

Of all companies surveyed, 62% reported an average value of fifty dollars *or less* per order. An average order value *over* one hundred dollars was reported by 11%.

The Median response to this question (i.e., the response exactly at the halfway mark in an ascending list of responses by Dollar Value per Order) was thirty dollars ($30.00). Thirty dollars ($30.00) was also the *most frequently* (i.e., in statistical terms the "Mode") recurring response. The *next* most frequent answer was twelve dollars ($12.00). After that $10.00, $80.00 and $100.00 dollars *tied for third place* in frequency.

The *BUSINESS* group reported an average value per order ranging from twelve dollars ($12.00) to nine hundred dollars ($900.00) for an overall average dollar value per order of one hundred seventy-five dollars ($175.00).

In the *BUSINESS* category, 15% of all companies reported an average order value of fifty dollars ($50.00) *or less*. An average order value *over* one hundred dollars was reported by 48%.

The Median dollar value per order in the *BUSINESS* category was one hundred twenty dollars ($120.00). The most frequently recurring response (the "Mode") was divided between one hundred dollars ($100.00) and one hundred fifty dollars ($150.00). Second place was an equal tie between $50, $55 and $500 dollars.

	CONSUMER	*BUSINESS*
Avg. Order Value	$58.43	$175.00
Median Order Value	$30.00	$120.00
Mode Order Value	$30.00	$100.00 & $150.00
Order Value Range	$5.00 to $300.00	$12.00 to $900.00

The Average Order Value reported for a *BUSINESS* direct mail customer is 2.9 times greater than that of the average *CONSUMER* order. Of the *CONSUMER* group, 43% reported an average order value *under* twenty-five ($25.00) dollars. *Only* 5% of the *BUSINESS* group reported an average order value under twenty-five dollars.

C. Use of Charge Cards

Despite the frequent reports of our being a "plastic society" and predictions of the soon to be arriving "cashless society," 13.2% of the *CONSUMER* direct marketing companies reported that they *did not* accept Charge-My-Card orders. And, a substantial 43.6% of the *BUSINESS* group also reported that they did not accept charge card orders. Of the 84.9% of the *CONSUMER* group who reported accepting charge card orders, the acceptance of the major card companies broke down as follows:

- *97.8% accepted MasterCard *and* VISA
- 30.4% accepted American Express *in addition to* MasterCard and VISA
- 19.5% accepted Diners and American Express in addition to MasterCard and VISA
- 2.0% accepted another card only.
- 2.0% accepted another card in addition to MasterCard and VISA

Of the 56.4% of the *BUSINESS* group who reported accepting charge cards, their acceptance of the major card companies broke down as follows:

- 33.3% accepted MasterCard, VISA and American Express
- 23.1% accepted only MasterCard and VISA
- 19.0% accepted Diners, American Express plus MasterCard and VISA
- 4.7% accepted American Express only
- 4.7% accepted MasterCard and American Express only.

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*See Table 1 for current status of Bank Cards.

U.S. Credit Cards in Circulation, 1980

VISA	64,586,000
MasterCard	55,655,534
American Express	8,500,000
Diners Club	910,000

D. Collection Agencies

A minority 41.5% of the *CONSUMER* group companies indicated that they utilized the service of a collection agency. A majority 71.8% of the *BUSINESS* group reported using the services of a collection agency.

Those using collection agencies in the *CONSUMER* group reported the following collection history;

28.5% — 5% to 10% collected
19.0% — 10% to 15% collected
33.3% — 15% to 20% collected
5.0% — 20% to 30% collected
14.2% — 30% *or better* collected

The *BUSINESS* group companies reported more favorable results in their use of collection agencies as follows;

33.3% — 0% to 5% collected
9.5% — 5% to 10% collected
9.5% — 10% to 15% collected
28.5% — 20% to 30% collected
42.8% — 30% *or better* collected

Of the *BUSINESS* group, 71.3% reported collection agency efforts producing a collection rate 20% or better while only 19.2% of the *CONSUMER* group reported similar results.

E. Annual Bad Debt Percentage

The questionnaire asked the question on Bad Debts as a percentage of annual Gross Sales twice in order to assure the accuracy of the replies, since many companies include items in a single account (e.g. Claims Paid, Returns, etc.) that would not meet our definition of Bad Debts. Publications, for example, traditionally have an account "Cancellation for Non-Payment" rather than a Bad Debt account and usually do not consider these as "Bad Debts" but merely another form of Cancellation.

Not all respondents answered this question probably indicating an inability to break out this figure from that account.

Of those who responded, the average Bad Debt percentage to annual gross sales for the *CONSUMER* group was 7.2% and the average for the *BUSINESS* group 4.2%.

In the *CONSUMER* group 53.8% reported an annual Bad Debt percentage *under* 5%, 25.6% reported a Bad Debt percentage between 5% and 10%, and 20.5% reported a Bad Debt percentage *over* 10%. In this reporting group, the percentage ranged from a low of 1% to a high of 30%.

In the *BUSINESS* group, 71.0% reported an annual Bad Debt percentage *under* 5%, 23.7% reported a Bad Debt percentage between 5% and 10%, and 5.3% reported a Bad Debt percentage *over* 10%. In this reporting group, the percentage ranged from a low of 1% to a high of 30%.

In answering this question, one respondent inserted the comment: "Wish you had a similar questionnaire on the number of bouncing and uncollectable personal checks!" A good question. We wish now that we had thought to ask it!

F. Billing-Collection Efforts

To the question, "What is the average number of weeks between your billing efforts?" the survey respondents answered as follows;

CONSUMER Group

2 weeks between efforts — 2.9%
3 weeks between efforts — 17.1%
4 weeks between efforts — 65.7%
5 weeks between efforts — 2.9%
6 weeks between efforts — 2.9%
8 weeks between efforts — 5.7%
20 weeks between efforts — 2.9%

BUSINESS Group

1 week between efforts — 3.0%
2 weeks between efforts — 27.3%
3 weeks between efforts — 6.1%
4 weeks between efforts — 57.6%
6 weeks between efforts — 3.0%
10 weeks between efforts — 3.0%

The average response on the first billing efforts was almost identical for the *CONSUMER* group at 54.6% as for the *BUSINESS* group at 58.0%.

In the *CONSUMER* group we could find no significant correlation between average dollar value of an order and the percentage of response to the first billing effort. The same range of response, 33% to 80%, was reported in the twenty five dollar and under average order value as in the eighty dollar and above order value group, including the reported average order value of

three hundred dollars. In fact, this top figure reported a higher than average response of 60% to the first billing effort!

The average percentage response of the *same* billing groups to the subsequent billing efforts were:

CONSUMER Group

2nd billing effort — 17.5%
3rd billing effort — 9.7%
ALL remaining efforts 6.0%

BUSINESS Group

2nd billing effort — 18.4%
3rd billing effort — 12.3%
ALL remaining efforts 7.1%

Beyond striking an average percentage across all responses to the survey, there were no other correlations that could be deduced from the replies. For example, in neither the *BUSINESS nor the CONSUMER* category did a high or low first billing effort response correlate to the 2nd effort response results. In turn, the 2nd effort results did not show a correlation to the 3rd, nor the 3rd to ALL subsequent efforts.

High, Low (the range) and Mode (most frequent) percentages in the 2nd, 3rd and *ALL* subsequent billing efforts were;

CONSUMER Group	*High*	*Low*	*Mode*
2nd effort	30%	5%	15%
3rd effort	30%	1%	10%
ALL subsequent	34%	0%	0%

BUSINESS Group	*High*	*Low*	*Mode*
2nd effort	34%	5%	20%
3rd effort	39%	2%	10%
ALL subsequent	40%	0%	5%

It was apparent from the analysis of the arrayed responses that too many other factors, all outside of the scope of the questions of the survey, entered into billing effort response, limiting observations to those that have been presented.

G. Credit Checking/Credit Limits

The survey reported that 47% of the *CONSUMER* group and 56% of the *BUSINESS* group used some form of credit checking.

However, the answers to the questions, "If there is a dollar amount below which you *do not* check credit, what is that amount?", and, "At what dollar credit limit do you stop shipping charge orders to a customer?" yielded interesting but inconclusive results—24.5% of the *CONSUMER* group and 25% of the *BUSINESS* group reported a specific amount *below which* they did not check credit. Yet, in *both* groups, those who reported an amount were just as likely to accept credit cards as to require pre-payment. It is too bad that we had not thought to ask the question about bouncing checks! There might have been an interesting correlation.

The survey showed that 18% of the *CONSUMER* group and 25% of the *BUSINESS* group indicated a dollar amount at which they would cease to ship charge orders. However, the overwhelming number of replies indicating that the real decision was made on a case-by-case basis denoted that the limit was really set to have a case brought to management's attention rather than applied as a hard and fast rule.

It was also reported by 76.5% of the *CONSUMER* group and 64.2% of the *BUSINESS* group that they *would not* offer a "Bill Me" option in the same promotion effort with "Charge My Card."

H. Comments

It was not the intent of this survey to discover any magic formulas, or "how to's." As they used to say in the old "Dragnet" TV series, "Just give us the facts please!" . . . and help us develop some statistical information in a specific problem area in the direct marketing industry where, heretofore, only data from non-direct marketing companies was available. Aside from the conclusions that the reader can derive from these results, the authors can offer only the following good advice on Credit & Collections.

Proper List Selection—Consider possible collection problems before mailing. If possible, review collection results from other similar mailings to the same list. Demographic information can sometimes aid in determining the collectability of a specific list.

Screen Incoming Orders—Maintaining and checking against an in-house Bad Debt file is always worthwhile, especially if you have the computer capability to do so. On high dollar value orders, consider the services of a professional credit bureau. You might also couple this with a point scoring system giving weight to different order factors that would include the type of item ordered, type of address, geographic location and type of writing instrument used on the order.

Use Order Form Psychology—Requesting a customer to sign his order, supply a contact phone number, or to make a "Good Faith" payment with the order are all considered to increase the likelihood that the customer will pay promptly after the shipment arrives.

Pay attention to your billing effort series—Put at least as much effort and creativeness into it as you do for a promotional package. Ask to be sure that a fulfillment problem is not preventing payment. DO remember to *ask for payment*. Progress logically from letter to letter. Design your package so that the customer will open it. And, make it easy to reply by enclosing a return envelope.

Lastly, consider a collection agency—As the survey proves, not every direct marketer considers the services of a collection agency worthwhile. But, review your decision regularly to be sure that the factors that influenced your first decision still hold true.

If, after trying all the preceding, your Bad Debt percentage still seems to be too high then you might consider joining that group of Direct Marketers who believe that prepaid orders are the *only* way to do business!

Authors' Note:
A chapter on Credit and Collection isn't complete without some discussion of the lingering economic recession and its negative effect on the financial health of our industry.

Unemployment is at an all-time high. Couple that with the fact that consumer installment credit outstanding grew some 150.3% over the past ten years, and you begin to realize the extent of the impact of this problem on credit and collection.

The two most significant recent outgrowths of the current economic conditions are:

Increase in Incidence of Bad Checks—whether intentionally or not, consumers are writing an alarmingly high volume of bad checks. According to the American Collectors Association reporting in July 1982, $1.5 billion each year is lost due to bad checks. Some 400,000 checks are written every day on closed accounts and accounts with insufficient funds.

Rise in Bankruptcy Rate—between October 1981 and March 1982 a record 223,767 personal bankruptcy petitions were filed. This appears to be due in part to the Bankruptcy Reform Act, effective October 1979, which liberalized the requirements for filing. Businesses lost more than $6 billion in 1981 due to consumer bankruptcy filings.

But the news is not all bleak. Once economic recovery arrives, the direct marketing industry can look forward to a bright future, and here's why. According to the Bureau of Labor Statistics, 50% of family units have working mothers. By 1990, the figure is expected to increase to 85%. With more women in the work force—and out of the department store—direct marketing sales should also rise. Let's look forward to that!

13

Financial Planning & Analysis

Profit Planning
by Joseph Dunn
Yield House

Direct response has exactly the same profit requirements as any other business or industry. The glamour of substantial cash flow from direct response may overstate the true picture and, therefore, after tax profits and return on assets employed may not be given the proper attention. The domino theory of rapid expansion of catalog counts and/or list exploitation can provide an aura of success that is not real, and, hence, if bankruptcies result, credibility of the entire industry is suspect.

Financial planning is extremely important, and supportive analyses are the backbone of a total company-wide financial plan that is not only discussed but communicated and challenged by all departments before it becomes an approved budget.

Basic fundamental financial disciplines should be followed with two profit and loss statement projections:

1. Conventional profit and loss—which we will cover later on.
2. Upside down profit and loss—that places emphasis on profit and requires supporting documentation to back up profit plan—

	Profit	Breakeven
Profit level desired	$ 100,000	$ -0-
Income Taxes	100,000	-0-
Pre-tax profit	200,000	-0-
Operating Costs	800,000	800,000
Finance (Interest) Charges (borrowing for inventory and expenses)	100,000	100,000
Gross Profit necessary to reach desired results	$1,100,000	$ 900,000
Sales necessary to generate desired gross profit (assume 52.4% gross profit)	$2,100,000	$1,718,000

Breakeven is 18% below planned sales volume of $2,100,000.

Confirmation of either sales budget should include:

- Number of orders expected from past experience weighted with all new input from entire management team.

  52,500 orders required at average order of $40.00—equals gross sales budget plan: $2,100,000.

  Note—Prior results should be analyzed to determine whether the past two-three years' number of orders (and average order) tie-in with the above considered assumption.

- Response rate confirmation—also related to past two or three years—should also tie-in with above budget plan.

Example: Assuming a 3% response rate—1,750M catalogs would be mailed to generate 52,500 orders following assumption in first item above.

- A 30¢ catalog cost in the mail—develops a marketing cost of approximately $525,000.
- Dollar return per each catalog is $1.20 (1,750M catalogs mailed × $1.20 = gross sales of $2,100,000). This should be verified against prior two-three years' dollar-per-catalog return.

After the above financial discipline is reviewed and accepted, then a conventional profit and loss statement should be developed—backed up by departmental work sheets supporting each cost center to verify the total budget plan.

Due to the critical nature of cash flow demands, a month-to-month cash requirement vs. budgeted monthly sales income must be formalized with downside and upside projections—both varying from basic plan by 10% plus or minus—to determine cash needs. This is particularly important in an inflationary environment.

In any financial plan, there are certain basic components that have to be worked out to see the potential of any program.

- Response Rate and Order Average
- Cost of Merchandise
- Cost of Advertising
- Cost of Money (Finance Charges)
- Marketing Contribution

For most direct marketing companies, the above covers the "variable" costs and/or factors. The balance, such as warehouse, order processing, etc., can be treated as fixed costs. This may seem strange to some, but unless a company has a widely fluctuating order level from month-to-month, most personnel and equipment in operations and distribution tend to be fixed. Also, while you have to control all your costs, the variable costs are the most critical to monitor and control as sales increase or stay stagnant or decline. The variable costs can affect profits immediately.

A. Response Rate and Order Average

Through testing of packages, offers, etc., a company has an idea what will be the Response Rate and the Order Average of a given promotion. Naturally, this will fluctuate, not only depending on the offer, but also on mailing lists used, economic conditions and the media employed to sell the offer. In any case, the combination of these two items brings us to what we will call Gross Demand—the total number of orders times the order average. We say Gross Demand, because due to a variety of reasons, some orders will be cancelled. This is lost business and usually comes from slow fulfillment due to not having products on hand. Direct Marketing is the only form of marketing that measures Gross Demand, and lets everyone see how good or bad the inventory has been managed.

From Gross Demand, we subtract Cancellations to get Gross Sales. This is where most people start their traditional type P & L, but, as mentioned above, in Direct Marketing you know how many people came in the store and left without anything because they could not wait.

From Gross Sales we have to subtract the Returns and Allowances to arrive at Net Sales, the money you can call your own. From this is subtracted the Cost of Goods Sold, and, added back in as a variance, is any vendor advertising allowances or other discounts. This brings us to Gross Margin.

The last and major variable expense are your Advertising Costs. This covers all creative, preparatory, printing, mailing and media costs. How fine you want to break it out is up to the individual company. After Advertising Costs is a line we call Marketing Contribution. If you were to carry out a traditional P & L statement, you would include operating expenses in processing and fulfilling orders, bookkeeping, rent, etc. However, many of these do not fluctuate with order volume, or the cost of the offer, or whatever. In effect, they are fixed expenses. But you can use the abbreviated P & L through Marketing Contribution to measure your potential profitability. Therefore, depending upon your goal, for example short term profit or long term growth, you can budget each promotion, and then do an overall budget to see how your annual forecast will look. Another thing that many companies fail to do is to analyze actual expenses versus the budget. The P & L Analysis we recommend looks like this:

P & L ANALYSIS

Promotion: _____
Mailing Date: _____

	Budget	Actual	Difference
Quantity Mailed			
Response Rate			
Number of Orders			
Average Order			
Gross Demand			
Cancellations	____	____	_____
Gross Sales			
Returns & Allow.	____	____	_____
Net Sales			
C.O.G.S.			
Variances	____	____	_____
Gross Margin			
% Net Sales			
Advertising Costs			
Creative			
Preparatory			
Printing			
Offer			
Letter			
Order Form			
Envelope			
Binding/Insertion			
Mailing			
List Rental			
Computer Costs			
Postage			
Total Adv. Cost	____	____	_____
Marketing Contribution			
% Net Sales			

(Note, this P & L Analysis would have to be altered slightly for the use of space or broadcast.)

B. Analysis

We have mentioned above that what you have to control are your variable costs. In most Direct Marketing efforts, the biggest variable cost is your Advertising Costs. Since Response Rate and Order Average are a function of the consumers' acceptance or rejection of your offer, always in budgeting assume a conservative Response Rate and Order Average to compensate for consumer response fluctuations.

And, just as planning (budgeting) is critical, it cannot function without careful review. It is taking a P & L Analysis and, by comparing the actual to budget, that you find where your strengths and weaknesses lie. For example, by comparing actual returns versus budgeted, you will find out if they were at an acceptable level. If they were not, then you know you must analyze the return situation to find out what went wrong.

The combination of careful financial planning and analysis of the results are what will keep you in business for today and tomorrow; hence, a most comprehensive budget planning process and monitoring system will pay dividends. The more time, effort, objective review, and analysis spent, the greater the accuracy. If these procedures are diligently followed, profit goals will be reached and exceeded.

You will then be in a position to totally *control your business*, and it will *never get out of your control*, even in an inflationary environment.

Direct Response Continuity Programs Cost Per Order Guidelines

by Hallett Johnson III
Time-Life Books, Inc.

One of the major questions facing all Direct Response Marketing programs is "How much does it cost to buy an order?" within the parameters of operating a profitable business. For most Direct Response programs where products or services are bought all at one time, cost per order guidelines can be developed using a simple breakeven calculation:

Revenue	
Less:	Returns and Allowances
Equals:	Collections
Less:	Cost of Goods
	Distribution Expenses
Equals:	Order Margin
Less:	Profit
	Cost of Money
Equals:	Maximum Cost Per Order

A major assumption here is that incremental spending will buy incremental business up to a point where marginal costs equal marginal revenues. Fixed costs, assumed to be independent of the number of items sold, are not included in the guidelines. Profit is based on a percentage of net revenue. The percentage used should be an amount that meets the needs of the business, and is approachable in terms of previous years' results. If there is a need for incremental income to cover incremental spending and an allocation of fixed costs, the profit percentage can be adjusted accordingly.

A non-continuity program spends its money up-front, and collects its revenues in a short period of time—in most cases over a span of two to six months. Some programs (i.e., catalog

sales) actually begin to collect revenues before the expenses are paid for. Interest charges are minimal, and fluctuations in the cost of money play a minor role.

A continuity program has its cash flow over a much longer period of time than a non-continuity program. Promotional spending is still upfront, but collections may be over a couple of years. For a continuity program, the cost of money plays a much larger role in the cost per order guidelines. Due to this lengthening of the timing of cash flows, we must develop a breakeven analysis that compares the sum of the present value of all future cash flows to the initial investment.

The development of the cash flows are complicated by the continuity concept. Instead of one order creating one shipment, one order here will lead to a series of shipments, or cash flows (inflows for collections, outflows for cost of goods and distribution expenses). These cash flows must be reduced by the profit allowance, and discounted by the company's cost of money. The result, the net present of all future cash flows of the promotion, is our maximum cost per order.

The following comparison highlights the effect that cost of money and timing has on the respective guidelines. Assume that collections and physical costs are the same for both examples.

	Year 1	Year 2	Year 3	Year 4
Non-Continuity Program:				
Collections	$100			
Less: Physical Costs	(50)			
Less: Profit (20%)	(20)			
	$30			
Discounted at 18% (cost of money)	30 / $(1+.18)^1$			
Maximum Cost Per Order	$25.40			

	Year 1	Year 2	Year 3	Year 4
Continuity Program:				
Collections	$50	$30	$15	$5
Less: Physical Costs	(25)	(15)	(8)	(2)
Less: Profit	(10)	(6)	(3)	(1)
	$15	$9	$4	$2
Discounted at 18% (cost of money)	$\frac{15}{(1+.18)^1} + \frac{9}{(1+.18)^2} + \frac{4}{(1+.18)^3} + \frac{2}{(1+.18)^4}$			
Maximum Cost Per Order	$22.63			

Though the difference between the two programs appears to be small ($2.77), note that it is the cash flows associated with *one* order only that we have been analyzing. For companies dealing with 500,000 to 1,000,000 orders, variances in promotion costs could range from $1,385,000 to $2,770,000.

These guidelines are maximum—they are designed as upper limits and *not* averages. If spending goes over the guidelines, the profit allowance will begin to be eroded. A continuity program is much more sensitive to the timing of cash flows and today's high cost of money than the short term non-continuity program. A continuity program must spend less while attaining the same level of business as before. This has had the effect of closing out marginal avenues of spending and hopefully creating, in this period of high inflation, respectable returns on investment and improved profit margins.

14

International Direct Marketing

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A. Introduction

The upward trend of international direct response marketing continues unabated. In an effort to capture a more comprehensive picture of this activity than was reported in the *1981 Fact Book*, detailed surveys were made in most of the major countries and in some of the smaller markets.

The results are mixed, and this year's expanded international section must be seen as a start in gathering material rather than a finished project. Information is contained about Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom. It would be hoped that this could be included with the update of material from the other countries in future *Fact Books*. Some information on these and other markets is included in the summary statistics compiled by DMA and International Advertising Association which make up part of this section.

The general comments made in the *1982 Fact Book* have been revised in some aspects, and they have been reprinted in their revised form.

Following these is a summary of the direct marketing situation in each of the countries indicated above, written by someone in the country. An effort has been made to retain as much of the flavor of the original data as possible in translating it into English.

Following the summaries there is an information section which summarizes population, households and basic media and direct marketing resource information.

Finally, as in previous *Fact Books*, the direct marketing associations (or advertising associations where no direct marketing association was reported) are listed for easy reference.

With each passing year, the international aspects of direct marketing become more and more important to companies primarily resident in the United States and to those whose business centers are located abroad. A 1982 survey of DMA members in the United States, with some 1,100 respondents, found that 34% of them have interests in international operations and that 49% want more information on international direct marketing subjects.

This is not surprising. American companies have increasingly established businesses in Europe, the Far East and Australia, and now there is a very considerable trend for foreign companies to launch operations in the United States and Canada.

While the practice of direct marketing varies from country to country, it depends on everything from national attitudes and traditions to specific legislation in each country. If there is one all-embracing rule that covers international direct marketing, it might be said to be: *A promotional concept which has worked successfully in one country is more likely to work in other countries than a promotional concept which has failed to work in its country of origin*. The exceptions prove the rule, but the rule holds. For all

the national variations necessary to get the maximum impact from a promotion, most sound promotions from one country travel amazingly well and are applicable with relatively minor change in other countries.

This should not be surprising. The best of direct marketing is straightforward and direct. It offers the consumer tangible benefits such as convenience, price, uniqueness and service. Since all these benefits are universal, there should be no logical reason why they should not appeal as much to a consumer in Munich as to one in London, Milan or Dallas.

B. U.S. Leads the World?

Direct marketing in most parts of the world lags behind the American practice in some areas, such as media accessibility and technical sophistication. Mailing list sophistication is inhibited by a tradition of secrecy which is breaking down but is still a deterrent to effective and regular list brokering and exchanges in some countries. In other areas such as creativity and innovation, no such generalization can be made. Also, list quantities tend to be smaller in proportion to total market size than in the U.S. (except in Germany), inhibiting sophisticated testing and rollouts. The cost of access to selected lists of mail order buyers tends also to be significantly higher in France and Germany than in the USA.

Print media are far less willing to offer special positions—more importantly, with innovations such as tip-on cards, bound-in and loose inserts, spectaculars and the like—than are American print media owners; but this, too, is changing fast.

In many countries, commercial television either does not exist at all or the number of minutes of commercials permitted in an hour of programming is so restricted, by American standards, that the economics of using television for direct response marketing makes the medium difficult or impossible to use, since it needs relatively long commercials to be effective. Furthermore, some countries, i.e., France, restrict commercials to primary manufacturers, inhibiting retailers or other direct merchants from using this medium.

These difficulties aside, some areas of sophistication in direct marketing have a considerable lead on the American practice. Innovative use of computers, alternative delivery systems, electronic fund transfers are all extremely well-developed. If many of the overseas markets appear to be lagging a few years behind the American practice, they benefit by being able to leapfrog the research and development costs by waiting until the Americans have made the mistakes and removed the flaws from the particular systems before adapting their own systems to match.

This situation has a major benefit both to American and foreign firms. It allows American firms to sell expertise to their overseas associates at the same time they are selling products. It also allows the overseas companies to concentrate their expenditures in relatively smaller markets without having the enormous (and highly risky) research and development costs.

C. Making Contacts Abroad

To make contact with our counterparts in direct response marketing in any of the major countries, the first step is through the respective national direct mail marketing association. Each association is happy to make introductions to its members, and one introduction often leads to others.

In Europe, DMA holds an annual International Conference. The focus of this Conference, attended for the most part by top-level executives of major companies, is on management. This year, the Conference (formerly in the Spring) will be held November 8-11, in Monte Carlo. In addition, there is an International Direct Symposium, sponsored by a private organization, and held each April in Montreaux, Switzerland. In Brazil, there are periodic direct marketing seminars, as there are in Australia. Thus, the practitioner who wants to go from a national to an international position in the marketplace has ample opportunity to meet the people and make the contacts to ease his way.

Doing business abroad, whether it be an American operating in England or a Frenchman operating in Spain, requires detailed knowledge and professional advice about the regulations of doing business in the host country. The importance of being familiar with and of adhering to these regulations cannot be overemphasized.

Proper legal and accounting advice from firms specializing in international business and, preferably, from firms with direct marketing clients on their rosters, will save awesome and unnecessary anguish. If a company is expanding into new markets abroad, it should also be able to call on its advertising agency for detailed direction in the above-mentioned areas, as well as for professional marketing advice.

Partnerships with foreign companies, license agreements, arrangements for technical advice

and all other forms of multi-national cooperation are the instruments which make up the total orchestration of an international entry into the direct marketing world outside the United States.

D. Tips for International Mailers

- There is little difference between the number of problems involved in mailing in your country and the number involved in mailing outside. The problems are simply different.
- U.S. publishers have a ready-made market in many of the developing countries because education and economic growth have brought about the need for more technical and scientific books at the same time that publishing in many of these countries is declining.
- A survey conducted by the *Financial Times*, London, has shown that leading European business executives consider English language publications among their most essential reading. The point is that, among these English language publications, a number of them are available only through direct mail subscriptions.
- Do not ignore local languages, particularly when dealing with middle management or the consumer.
- Holland, out of proportion to its population, is at the top of the list in its acceptance of the mails as an advertising medium. Direct mail constitutes 32.5% of all advertising.
- In France, direct mail is flourishing despite some local problems within the postal system.
- Telephone marketing is very comparable now with the rest of the major DM countries, as a massive public investment has been done for ten years to improve quality of the telephone network and to increase the number of sets installed in households. Twenty-three million lines existed at the end of 1981 as compared to five million in 1971. In Germany, direct mail accounts for 30% of total advertising expenditures, and a number of good direct mail houses exist there.

E. Summary of Direct Marketing Activities by Countries

AUSTRALIA

Facts and Trends

The Mail Order and Direct Marketing sales are estimated around 1,238,000,000 Australian dollars, but show an increase of 30% from 1980 to 1981.

A typical pioneer market, eager to learn and to develop.

Postal Services

Fair and reliable.

Advertising Data, Services and Costs

All services to direct response campaigns are available but with limited number of suppliers, in very specific fields (list, specialized advertising agencies, etc.).

General Information

Population: 14,926,800
Number of households: 4,668,909
Inflation rate: 11.8%

AUSTRIA
(no new material available)

Facts and Trends

Market and techniques very underdeveloped. No sophisticated techniques in use yet. Market is growing, but no hard data available. Retail trade uses DM scarcely, due to lack of knowledge about possibilities. Government attitude not very positive, certain stringent laws, i.e., trade with addresses/personal data forbidden, except with permission of person described (Datenschutzgesetz); also very stringent food and drug regulations

(Lebensmittelschutzgesetz) and consumer regulations (Konsumentenschutzgesetz). Two big agencies (mostly mail/door to door) based in Vienna, handle majority of business.

Postal Service

Good, reliable, slow and expensive.

Advertising Data, Services and Costs

No national newspapers, small target groups due to small population, direct marketing very underdeveloped. Current direct marketing activities in use: direct mail, door to door distribution, sampling via magazine (for flat items); DM media used: mail, distribution organizations, freely distributed magazines; percentages n/a.

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
5.--	14.50	1.000--	0.20	3.20

Direct response services: Agencies (split runs possible, but not often used due to small size of target groups).

General Information

Population: 7,500,000
Number of households: 2,500,000

BELGIUM

Facts and Trends

Key factors are the limited market size, linguistic problems and lack of competition in media. Direct marketing is estimated to be growing at an annual rate of approximately 15% (several times higher than that of traditional retail). Given the size of the market, however, most of the activity is carried on by foreign operators using programs and material which have run either in France or Holland and which can be easily adapted to local language needs. Typical examples: Time-Life, Reader's Digest, Franklin Mint or, from Europe, Quelle, La Redoute, Neckermann, Rocher, Elsevier, etc. Principal sectors of activity: general catalogue, clothing/textiles, household goods, books/records, seed and bulb. Fund raising virtually unknown. Credit card and gas card penetration very low due to general availability of Eurocheque as standard payment instrument and which is valid internationally. The situation could change shortly with the introduction of VISA. Commercial radio limited to Luxembourg channel which also covers France. Commercial TV is limited to Luxembourg which has high coverage in French-speaking area. 1983 may bring RTL International (commercial station—subtitles in Flemish; principally for Flemish audience). Discussion continues as to whether 1983 will see the advent of commercial TV on State-owned French and Dutch language stations.

Due to high penetration of cable system up to 13 stations available from France, Germany, Holland, U.K. and Luxembourg. While details not yet available, moves are afoot to ban direct response from State-owned stations. Direct marketing as a percentage of retail sales is estimated at 1.3% (excluding food sector).

Advertising Data, Services and Costs

Media (TV, radio, press, mail, poster advertising) is split on linguistic lines. All material must be translated for each market.

Postal Service

For specific information contact National Mail Order Association. (See list on page 186.)

General Information

Population: 9,900,000
Households: 3,240,000

The country is bilingual. Approximately 45% of the population is French-speaking (Brussels and southern Belgium); 55% is Dutch-speaking in the north. Economic situation is currently poor with one of the highest rates of unemployment in Europe. As a countermeasure, government has recently introduced a two-year salary freeze. Annual rate of inflation approximately twelve percent on government calculations.

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
14.90	6.80	450	N/A	4.10

Direct response services: all relevant services are available including split runs.

CANADA

Facts and Trends

Direct Marketing continues to grow as in the past several years due to a greater acceptance by consumers and industry. No restrictive legislation exists, except in the Province of Quebec.

Postal Service

As a crown corporation, the postal service will have to attain a balanced budget. As a result there has been a significant postal rate increase in 1982, plus an additional 6% for 1983. Two mail classes for letters.

Investments and experimentation in electronic mail in process (Telepost, Intelpost).

There has been a major investment in electronic sorting equipment to increase speed and quality of delivery.

Advertising

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
12-20	14-35	375	35-60	150-500

All direct response services are available in Canada.

General Information

Population: 25,000,000
Number of households: 8,500,000
Inflation rate: 10.9%

DENMARK
(no new material available)

Facts and Trends

Due to the size of the country and a well-developed retail trade, the Danish mail order market has not followed the considerable development which can be seen in the other European countries and in the U.S.A.

There are approximately 100 mail order companies with total sales of approximately 1.5 billion Danish kroner corresponding to 1.3% to 1.5% of total retail sales.

Research has shown that one third of the population is buying by mail order. However, there are big variations (from 20% to 45%) between some of the areas. The market is marked by quite a few big companies and many small ones. Approximately 10% of the companies account for 75% of all sales.

The advertising expenses average 9% of sales volume, but vary from 2.7% to 25%. Growth of direct marketing and mail order sales 1980/1981: approximately 6%.

To a rapidly increasing extent other types of companies (insurance, bankers, publishing firms, magazines, retail business, etc.) are using direct marketing in addition to mail order, but no data for the elucidation of that are available.

Postal Service

Fair but fast. Mostly next day delivery. Only first class available. Currently negotiating for second and third class.

Advertising Data, Services and Costs

Average cost per thousand people reached by direct marketing

Newspaper	Size: 250 × 177 M — no colour		
	Monday-Saturday	d.kr.	56.15
	Sunday	d.kr.	64.15
Magazines	Full page — no color	d.kr.	58.15
	Full page — full color	d.kr.	88.25
Mail	Weight 80-100 grms (example)		
	Ordinary letters (100,000 and over)	d.kr.	1,890
	Printed matters (100,000 and over)	d.kr.	1,160
	Without address (50,000-500,000)	d.kr.	390
	Without address (1,000,000 and over)	d.kr.	360
Radio	No commercial radio		
TV	No commercial TV		

Direct response services: All relevant services except television are available.

General Information

Population: 5,110,000
Number of households: 2,210,000
Annual rate of inflation: nine to ten percent

FINLAND

Facts and Trends

Finland is the fifth largest country in Europe and sparsely populated. That makes Finland a good country for DM.

The growth in DM was +23.6% in 1981 the first time the total sales volume exceeded one billion FIM. DM represents 1.4% of the total retail market and 2.04% of the total non-food market. The biggest product group was magazines and newspapers, followed by books, textiles, recordings and electronics plus cosmetics. DM is also growing among traditional non-users. In 1981 several insurance companies, banks, travel agencies and airlines started using DM.

The consumer law has been in effect since September 1978. The attitude of the Consumer Ombudsman is slightly against DM. Particularly incentives, introductory and joint offers are under investigation. The privacy issue, in spring 1983, does not reflect severe threats on DM.

Postal Services

Postal services are good in Finland. 81% of packages delivered next day. The costs are on the average level in Europe.

Advertising Data, Services and Costs

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
FIM 17.46	FIM 14.00	FIM 114.00	Not avail.	FIM 30.00

All relevant services available in Finland.

General Information

Population: 4,825,000
Number of households: 1,835,000
Inflation rate: 10%

FRANCE

Facts and Trends

Mail order in France represents 2.2% of the complete retail market and 4.4% of the non-food retail market. With a fast growing inflation and, let's face it, a stagnant economy, mail order maintains its growth increase in a satisfactory way compared to the other sectors of retailing.

With a growth of 18.5% in 1981, the French mail order industry's sales volume at the end of 1981: 20,120,000,000 FF.

An approximate growth of 15% is foreseen for 1982. Therefore, the estimated sales volume at the end of 1982 will be 23,000,000,000 FF.

Mail Order Catalog Sales

60% general catalogs
20% specialized catalogs

Breakdown by Sales Channels

	1981
Mail Order	77%
Telephone	13.5%
Catalog Showrooms	9.5%

Payments Procedures

Cash	82.2%
Credit	17.8%

Breakdown by Products and Trends in 1981

Textile	Declining	44.43%
Housing Equipment (non-textile)	Declining	12.14%
Photo, Movies, Hi-fi	Growing	4.35%
Food, Drinks	Declining	3.05%
Shoes and Properties	Declining	3.03%
Watches and Jewelry	Declining	2.24%
Books, Magazines, Records	Growing	12.89%
Electric Housing Products		3.90%
Various		11.76%

- Insurance companies are using more and more direct marketing, from the largest ones to the smallest ones.
- Since June 1981, an experiment of video terminals has been set up in 1,500 private houses in the suburbs of Paris. The experiment has been extended to the northern part of France and Brittany — the first results are quite satisfying.
- La Redoute for 18 months has been testing a new delivery service to its customers: an automatic locker placed in commuting crossroads (railway stations, subways, etc.).
- Mail preference service initiated in 1976. Seven thousand people have requested removal from mailing lists.

Postal Service

Expensive, very strict, excellent control of advertisers' material.

Bulk mail postal rate increase negotiated per annum by the National Mail Order Association. It follows the overall inflation (13% to 15%). Discounted rates are given to companies able to provide some in-house postal services (sorting of mail, package by detailed zip directions. etc.). Discount varies according to traffic and sophistication of services, but 5% to 12% not unusual.

Rates for Bulk Mail

1982	10%
1983	8%

Advertising Data, Services and Costs

Average cost per thousand people reached by the following media:

- Newspaper: 1 page (black only): 137.21 FF per thousand (circulation)
- Magazine: 1 page black: 60.41 FF per thousand (circulation); 1 page 4 colors: 101.32 FF per thousand (circulation)
- Radio: difficult to estimate, depending on timing and network. For 30 seconds on "Europe 1" for instance: 18.300 FF
- TV: TV spot on direct advertising is not allowed in France
- Direct mail: average cost of a mailing (printing, production, postage, inserting, handling, list renting): minimum: 2 FF per piece; maximum: 3.50 FF per piece; test: 4 FF

Direct marketing services: All relevent services available.

General Information

Population: 55,000,000
Households: 17,000,000
Annual rate of inflation 1981: 15%

GERMANY

Facts and Trends

Direct Marketing in West Germany is in an excellent condition with growing rates. Even the post-authorities are planning an advertising campaign to promote direct marketing. The "new" media of direct marketing (telephone and video) are coming. The attitudes of consumers and business people towards DM are positive, as latest research studies are showing. A lot of personalization. Highly professional, as compared with USA. Growing by 10%-15% per year. Hard regulations on data protection, consumer associations (Mail Preference Service "Robinson List" had about 100,000 names in 1981). There is still no Add-On-Service; available in spring 1983.

Postal Service

For the next two years the German Post Office is launching heavy campaigns to promote Direct Mail Advertising. Besides the largest market research that has ever taken place (3100 personal interviews) half a million brochures will be distributed to business advertisers.

Advertising Data, Services and Costs

Major use for direct marketing—direct mail 66%, other including magazine, radio and TV 34%. DM is 12% of total advertising expenses.

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
DM 27.3	DM 6	DM 700-900	DM 6.5	DM 9.25

Direct marketing services: All relevant services available.

General Information

Population: 61,300,000
Number of households: 24,200,000
Rate of inflation: 5.5%

HONG KONG

Facts and Trends

Total market has been steadily growing over the past three years in terms of advertisers' expenditures. It has at the same time become extremely competitive. Television remains the single largest advertising medium, followed by newspapers. Relative to other markets in Asia and in particular western markets, government involvement is minimal and still very relaxed although new legislation is being introduced with more regularity.

Postal Service

Overseas services generally very good, encouraging international companies to use Hong Kong as a Far East mailing center.

Advertising Data, Services and Costs

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
HK$13.0	HK$10.0	HK$8.0	HK$7.0	N/A

Direct marketing services: All relevant services available.

General Information

Population: 5,200,000
Number of households: 1,130,000

ITALY

Availability of Lists

Most mail order companies are directly proposing their lists for renting. However, this activity is still marginal and not recognized as a significant source of income. There is a general concern still existing about the security of list use due to some "Old Stories" still running in the business. Some list brokers (4-5) have developed activities in Italy including compiled lists and business-to-business lists. However they propose a relatively limited number of Direct Marketing buyers. Names of those list brokers can be obtained at ANVEC. (See page 186 for address.)

Use of Lists

Companies must declare the lists they maintain to the Police department. There is no other restrictive regulation, but as in other developed countries, consumer list groups are pushing for limiting creation and access to administrative lists.

Postal Rates

There is a special rate for Direct Mail or Direct Marketing packages called 'group 5.' The minimum quantity is 1500. The present cost for up to 100 grammes is 55 lire and will be increased to 70 lire Feb. 1, 1983, and then will be raised again Sept. 1, 1983. The Post Office in Italy takes care of shipment of parcels up to 20 kilos (40 pounds). Some substantial discounts are granted for parcels to mail order companies: 10% for 20,000 packages per year, 20% for 50,000, 30% for 200,000 and more.

Personalization

Was introduced in Italy one and a half years ago and the Laser type of equipment is now available. Their use has spread over the industry but is still limited to the more sophisticated companies. Cost of advertising: Consumer magazines: *Familia Christiana* 1.2 million circulation 1 page B/W 10 million lire. *TV Guide* 1.4 million circulation 1 page 4/C 18 million lire.

JAPAN

Facts and Trends

In 1981, Direct Marketing and Mail Order generated more than $24 million Sales, 0.7% of total retail volume.

The increase 1981/82 is estimated at 5.0%.

.Total DM expenditures around $725 million (69% mailing, 20% space advertising).

2.5 billion mailings sent every year in Japan.

Current Trends in Direct Marketing in Japan

There is a growing interest in the future potential of direct marketing in Japan. This interest stems from two quarters — the major Japanese retailers (department stores, general merchandise chain stores) see it as providing new opportunities for accessing the Japanese consumer who is becoming less impulsive and more discretionary; and overseas direct marketing companies are discovering the large but still latent potential of the Japanese market for their mode of selling. Threatening the growth of future direct marketing is the likelihood of stringent privacy legislation within the next couple of years.

Postal Service

Normal and reliable, despite a very specific address structure.

Advertising Data, Services and Costs

All services for direct response campaigns are available in Japan. Radio and TV are insignificant in DM.

General Information

Number of households: 36,858,900
Inflation rate: 4.0%

THE NETHERLANDS

Facts and Trends

Total mail order sales 1981: DFL 1.425 million. Percentage of mail order in total non-food retail: 2.8%. Mail order has increased by 58% in five years against 20% for general non-food retail. Breakdown by product:

	% Total 1980
Textiles	39.8
Furniture	7.5
Household Articles	6.1
Washing Machines, etc.	1.4
Radio and Television	2.5
Watches	1.3
Books	13.5
Records	2.9
Photographic Goods	2.9
Other Goods (Services)*	22.1
	100.0

*Among which: bulbs and flowers, recreation, cosmetics, shoes, wine, insurance, etc.

The following legislative acts may affect direct marketing in the Netherlands:

- A draft law on general terms of delivery that in the current wording will cause an inferior position of the trade.
- A draft law at the beginning of next year combining the two existing bills on consumer credit and credit sales.
- In November an announcement is expected about the situation of the data registration law that is expected next year, but most certainly will not pass this year.
- A re-draft of the law on the working council for smaller companies under 100 employees.
- Parliament is still dealing with the Privacy Bill.

Advertising Data, Services and Costs

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
DFL 12.07	DFL 16.20	N/A	N/A	N/A

Media cost per 30-second radio commercial: DFL 1,410-2,310
Media cost per 30-second TV commercial: DFL 5,520-20,520

Direct marketing services: All relevant services available.

Postal Service

Financial problems in the National Postal Service led to rate increases in 1980 of 15% and in 1981 of 10%. By April 1982 there was an increase of about 7.7%. This postal inflation, plus the cost of implementation of the new postal codes, has badly affected the profitability of mail order companies. The postal service, nevertheless, is of good quality and efficiency.

Availability of Lists

The major mail order companies in the Netherlands are directly renting their lists. However, some well-known list brokers operate in the country (like Donnelley-Vierhand, Dimas, Martin Howes, etc.). They maintain a wide range of direct marketing lists, including business-to-business lists.

Use of Lists

There is not any restrictive regulation for the moment about the use of direct marketing lists. However, as in any developed country, some consumer groups put pressure for restricting the creation, interaction and access to some administration lists. The direct marketing industry, through the Direct Marketing Instituut, has established self-regulation to allow customers to be deleted from mailing lists; the same system (called P.O. Box 666) allows individuals who want to receive more mail to be added to mailing lists. Up to now, the name-removal file contains 2,500 names. At the same time, 16,500 have responded to the advertisement, indicating they wish to receive more mail.

General Information

Population: 14,285,829
Number of households: 5,022,000
Rate of inflation: 6%
Unemployment rate: approx. 7% of active population

Cost of Advertising

Examples of price of pages

Consumer: *Lebelle* Magazine (women's magazine) — 72,000 circulation

1 page B/W	DFL 19,000
1 page 1/C	DFL 50,000
1 page 4/C	DFL 58,000

Business-to-Business: *Elseviers* — 125,000 circulation

1 page B/W	DFL 6,000
1 page 4/C	DFL 11,000

NORWAY

Facts and Trends

Long distances and scattered population make Norway a good country for Direct Marketing/Mail Order. Total sales made through DM/MO are very hard to estimate. Direct mail is considered to be the second largest medium in Norway next to newspaper advertising. Total expenditure is estimated to be NOK 750 million, 22.4% of total media volume.

More and more Norwegian companies are starting to use and expanding their use of DM/MO, and it is estimated that the total market will expand in coming years. International companies have started to build business through DM/MO without having to set up legal entities in Norway.

Direct marketing is also growing among traditional non-users. It is regulated by consumer ombudsman and Datatilsynet (where all lists have to be registered) in addition to general legislation. List-brokers, lettershops, etc., must be licensed. Government attitudes are fairly positive.

Postal Service

Contact DMA International in Paris for further information.

Advertising Data, Services and Costs

Average cost of one thousand people reached by direct marketing:

Newspaper	NOK 87,-/1,000 readers
Magazines	NOK 30,-/1,000
Mail postage	NOK 1,275,-/1,000, less than 50 grammes, 3rd class postage, unaddressed differs with weight and volume, NOK 280,-/1,000,000 per 1,000 unaddressed to more than 500,000 households, weight less than 10g.

Direct marketing services: No commercial television available.

General Information

Population: 4,092,340
Number of households: 1,652,000
Rate of inflation: 12%
Unemployment rate (Sept. 1982): 2.5%

SPAIN

Facts and Trends

The overall feeling is that direct marketing in Spain is in a developing stage. Most active sectors include publishing, correspondence courses, records, photo processing, philately, credit cards, etc. Possibly, the large assortment sector could be considered as underdeveloped. International companies operating in Spain include American Express, Bertelsman, Reader's Digest, Time-Life Books, Yves Rocher, Damart, etc. There is also a definite development in the use of direct marketing by non-direct marketing companies (lead generation, business-to-business, especially in the travel, insurance and real estate industries).

Total mail order sales in 1980: US $225,000,000.
Percentage of increase from 1980: 15%

Breakdown of Products in 1980

Product	Sales %
Books	26.0
Cards	6.0
Electronics and photography	8.0
Household products	9.0
Travel products	4.0
Records and tapes	8.0
Film development	7.0
Clothes	6.0
Courses by mail	20.0
Cosmetics	3.0
Gardening	3.0

Current percentage of direct marketing in total retail is .2% and hopefully growing, 60% mail, 20% magazine advertising and 15% door-to-door distribution.

Postal Service

P.O. administration becoming more aware of direct marketing in general and improvements are expected. Main drawback is non-delivery of parcels over 500 g., linked with antiquated payment systems. (Customers must pick these parcels up at P.O.)

Advertising Data, Services and Costs

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
PSTS 1,580	PSTS 2,900	PSTS 2,700	PSTS 150	PSTS 150

Magazines and Newspapers:

Newspapers	—Max. circulation 250,000 copies; regional max. average 30,000 copies
Magazines	—Max. circulation 900,000 copies; no regional practically
	3 magazines more than 500,000 copies
	7 magazines 200,000 copies
	9 magazines 100,000 copies
	24 magazines 50,000 copies
Tariffs	—Newspaper of 200,000 copies full page b/w US $2,000-4,000
	—Magazines b/w US $1,000-2,800
	—Reg newspaper US $500-1,000 b/w
TV	—Two stations, national, state-owned; TV one 30-second prime—US $25,000
Radio	—200 radio stations, 170 medium wave and 30 modulated frequency; no radio covering all of Spain; tariffs vary enormously
Mail	—US $160 per 1,000

Direct marketing services: Split runs not available.

General Information

Population: 37,600,000
Number of households: 9,351,000
Rate of inflation: 15%

SWEDEN

Facts and Trends

During the past twenty years, direct marketing has expanded heavily. Next to advertising, direct marketing is the largest advertising method today.

No studies of the total advertising expenditures have been made since 1967. The Association of Swedish Advertisers inquire every year into the members' intention of investing in advertising. In 1980's enquiry for 1981, and 1981's enquiry for 1982, the advertising investments were divided into the different media. A conception of the development can be obtained when comparing these figures with a study made in 1960.

	1960 %	1981 %	1982 %	1960	1981 SKR (millions)	1982
Advertising	51	43	47	536	1,475	1,776
Direct Marketing	18	31	31	190	1,063	1,171
Other Media	31	26	22	326	892	832
				1,052	3,430	3,779

The Association of Swedish Advertisers estimate that their members have 60-65% of the total advertising expenditures.

In a composition, "TV Ads—A Threat to the Daily Press?" the total advertising expenditures in 1979 were estimated at 6,600 million SKR. Thirty-five percent, or 2,310 million SKR, was estimated to be direct marketing.

The picture is not unambiguous. Due to problems of definition and calculation, it is very difficult to estimate the size of direct marketing.

Estimated percentage of mail order growth in 1981 is about 13%. Mail order percentage of total retail sales is 4.2%.

Availability of Lists

All Swedes are registered in the government's census files, where every individual is easy to identify by his-her birth number. Selections can be made by: sex, age, marital status, family income, housing conditions, size of community where the individual lives, number and age of families' children, and postal codes.

The Data Act has restricted the possibilities to purchase address registers of the population (it is now a monopoly, handled by the government), but new kinds of registers have been developed. The citizen now has the option of refusing personally addressed direct mail by applying to the Data register, but up to now it is evident that most people still like to get direct mail.

There are several companies in Sweden that specialize in compiled lists by which you can reach either individuals by their profession or their ranks in their respective businesses. The same companies can provide lists to Swedish companies selected by trade, branch, size, etc.

Postal Service

All personal addressed mail units handled by the General Post Office. Unaddressed mail is handled by the General Post (approximately 50%) and other distributors (50%).

The prices for mass mailings are very advantageous. They are operated by weight range:

Postage Rate for 20 g. mailing is:

1,000-10,000 pieces	0.69 SKR apiece
10,000-100,000 pieces	0.69 SKR apiece
over 100,000 pieces	0.67 SKR apiece

Postage rate for 20-100 g. is:

1,000-10,000 pieces	0.99 SKR apiece
10,000-100,000 pieces	0.98 SKR apiece
over 100,000 pieces	0.97 SKR apiece

There is a slight discount if mass mailings are zip-sorted by the mailer.

Advertising Data

The approximate cost for a black and white full page and color full page in a consumer weekly magazine is:

Black and White	15-175 SKR
Color	20-235 SKR

Business Monthly Magazines:

Black and White	13,700-17,200 SKR
Color	22,100-26,500 SKR

Direct marketing services: All relevant services available.

General Information

Population: 8.3 million
Number of households: 3.5 million
Inflation rate: 12.1%

SWITZERLAND

Facts and Trends

Estimated sales volume in direct mail	US $225 million.
Estimated sales volume in mail order	US $540 million = 4%-5% in total retail sales
Estimated growth of direct marketing and mail order in 1981	= 5%
In 1980	Direct mail approximately 10%; mail order somewhat less
Average	2.5 pieces of direct mail per day per household
Trend	Growing
Estimated expenditures in advertising (all media)	US $1,405 billion per year
In direct mail business	Approximately 16% (third major advertising expenditure)

Addressed mail distribution only by PTT.
Non-addressed mail (door-to-door distribution) by PTT and private distributors.

New Media

Telephone selling	Rather new (one to two years). Imported from USA and Germany by Walter Schmid

Video text (similar to Prestel-System in the UK)	In an experimental stage by the postal authorities since about three months. Larger experiment in 1982. Introduction by PTT in 1983 on a large scale

Law for protection of personal data being prepared on a national basis for all official data and the private sector as well. Expected for 1983.

Postal Service

Typically Swiss.

Postal Rates

There is no special rate for third class mail; only one rate exists with two sections, letters (40 centimes for 50 g.) and printed material (20 centimes for up to 250 g.). The next raise in postal rates is planned for 1984 and the two rates will be 50 centimes and 25 centimes. When companies presort the mail for the post office under the postal direction (Zip Code) they can receive a discount of up to 3-6 centimes per mailing piece.

Availability of Lists

The list broking activity is limited to very few companies; the two most important are Mardev and Walter Schmid AG. Most of the big mail order and publishing companies are managing their own lists directly.

Use of Lists

A regulation addressing privacy problems, the creation and use of lists has been prepared. This law will cover mainly administrative databases to regulate and restrict access to some types of information. The retail and trade lists, including direct marketing lists, are part of the discussion, but no regulation will be implemented before 1984.

Use of Personalization

The laser is a type of personalized letter now currently available in Switzerland, for an average unit cost per page of 40 centimes, going down to 20 centimes for quantities.

Advertising Data, Services and Costs

Average cost per thousand people reached by following media:

Newspaper
US $10.80

Magazines (4-color)
US $10.80

Remarks: These costs range from $7 up to $40 depending on the circulation. Smaller circulations are more expensive, larger circulations cheaper! Circulation of largest daily newspaper = 250,000. The "Neue Zürcher Zeitung" actual circulation: 120,000.

Direct mail: costs for US $.65 per mailing printing, fulfillment, addressing and postage

TV: US $1.30 for 30 seconds (normal TV spot), reaching approximately 1.3 million TV home stations

Commercial radio:
Not allowed in Switzerland

All above-mentioned figures do not include costs for production.

Direct marketing services: All relevant services available.

General Information

Population: 6.365 million
Number of households: 2.32 million
Annual rate of inflation: 1980: about 5%; 1981: expected at 7.5%

UNITED KINGDOM

Facts and Trends

Off the page selling has moved steadily up the market, and has dramatically increased in volume during the past 5-10 years. Concentration is in Sunday color supplements to quality newspapers. It has generated new mid and down market color supplements. This high concentration of direct response offers in color supplements has created a recent significant drop in response (20% to 25%) as compared to 1980, leading to a return to classic direct mail techniques. TV used for two-stage selling (e.g., by DM travel trade, Amex). Book clubs and specialty catalogs have all grown substantially—use press for new customer acquisition. Retail stores increasingly use DM. Telephone marketing, directly inspired by U.S. concepts and companies, is growing rapidly. Government attitude is relaxed, largely because the self-discipline of the Advertising Standards Authority is reasonably effective.

Postal Service

Steadily more expensive. Use limited by lack of list brokers and good lists. Most direct marketing companies use press for new customer acquisition and direct mail for repeat business.

Advertising Data, Services and Costs

Average cost per thousand people reached by direct marketing

Newspaper	Magazine	Mail	Radio	Television
£2.05	£1.12	£200+	£1.20	£2.30

Direct marketing services: All relevant services available.

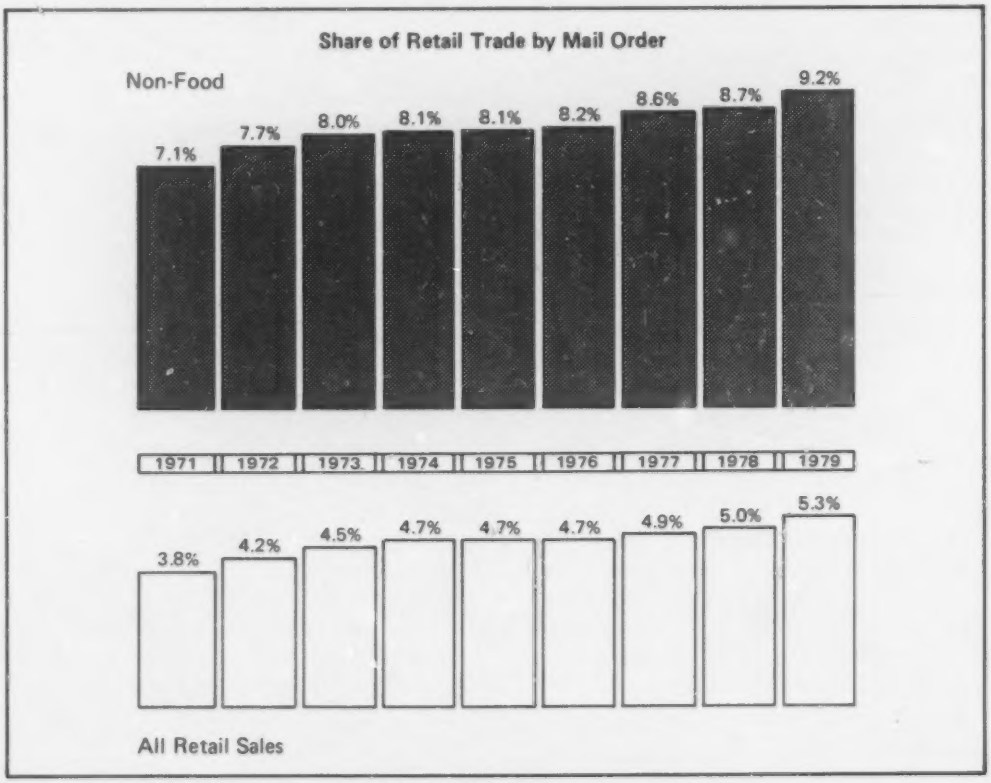
General Information

Population: 56,000,000
Number of households: 20,000,000
Rate of inflation: 16%

A Significant Part of British Retailing

Mail Order is now a significant part of the British retailing scene. Nearly 9% of all non-food retail sales are made through mail order and one family in two will buy something from a mail order catalog this year. Mail order sales account for more than those of department stores and yet to many people not involved in this form of retailing, the major catalog names are not as familiar as the main high street shops and stores. Perhaps this is because you don't see Empire Stores, Freemans, Burlington, Grattan, Janet Frazer, Kays, etc., in lights on the high street.

Nationally, about 4 million consumers receive a mail order catalog and about one third of these receive more than one. This makes competition very intense, since comparing prices is a question of turning up the right page rather than walking from shop to shop. Not only is mail order now an established part of the shopping scene but its share of the retail trade is increasing, as can be seen from the table below.



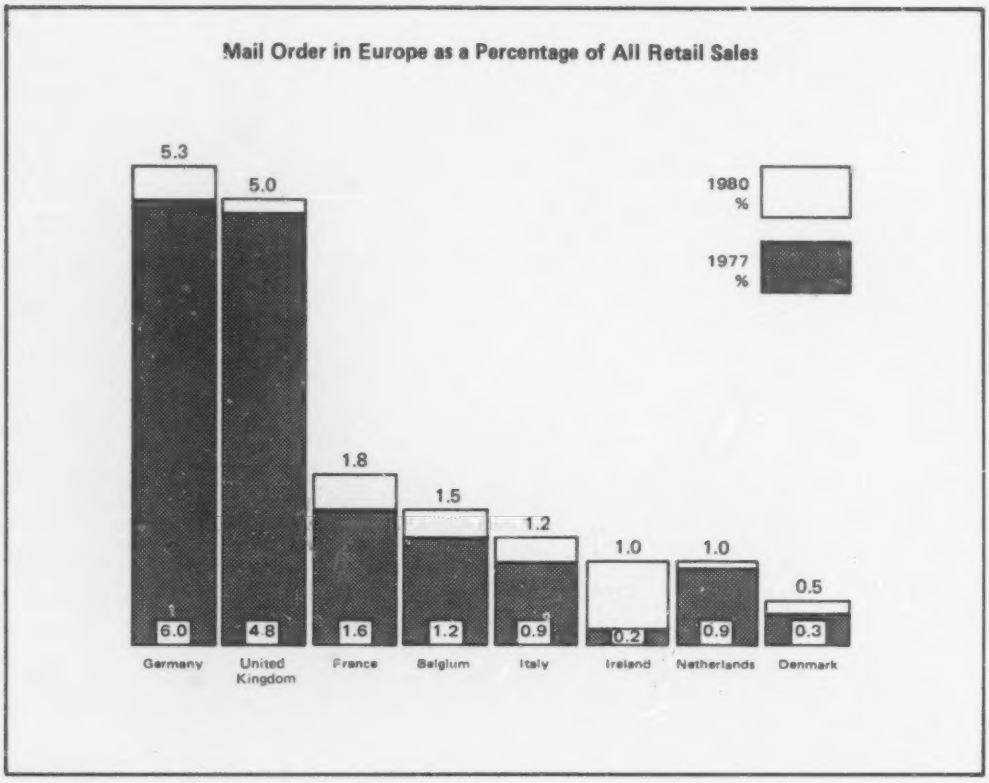
In 1950, mail order represented only 15% of the sales of department stores. This had increased to 50% by the early 1960s and in early 1978 mail order sales overtook those of department stores. It is estimated that during 1980 the retail sales of mail order companies was £2.382 million.

This graphically illustrates the phenomenal growth of mail order during this period.

The Agency System — a British Trend

Agency shopping is very much a British phenomenon. The following table shows mail order as a percentage of retail sales in various European countries. Great Britain and Germany show the highest penetration of around 5% of total sales and no other European countries come near to that figure.

Nevertheless, it is important to note that mail order's share of the retail trade is increasing in every European country.



The Companies and Their Catalogs

To the would-be mail order agent, or prospective shopper, the choice of catalogs seems enormous. As many as 10 or 12 names may be advertised in the same edition of a woman's magazine and, in fact, there are 16 major catalog names. But, what at first seems a wide choice is deceptive. Some companies, notably Littlewoods and BMOC, publish the same catalog under a variety of covers and with a different introductory page. This reduces the actual choice to 6 catalogs, as the following list demonstrates.

Company	Catalog Names	
*British Mail Order Corp.	Great Universal John Noble Trafford John England Marshall Ward John Myers	identical catalogs
*Kays, Ltd.	Kays	different catalogs
Littlewoods Ltd.	Littlewoods Burlington Janet Frazer Brian Mills Peter Craig John Moores	identical catalogs
Freemans P.L.C.	Freemans	independent catalogs
Grattan Warehouses Ltd.	Grattan	independent catalogs
Empire Stores Ltd.	Empire Stores	independent catalogs

*Please note B.M.O.C. + Kays = G.U.S.

Mail Order in the 1970s and 1980s

Much of the early development of mail order was among the poorer classes of the industrial North of England. Now, however, the appeal is spread over all social groups and all parts of the country.

1971 sales were £632 million. By 1980 they had risen to £2.382 million. Whereas in the early days credit and commission were important reasons for growth, in the '70s the emphasis had shifted to convenience and choice, although credit and commission, of course, remain significant factors.

Gathering statistical material from many different countries who keep these statistics in many different ways creates inevitable mismatches. (For example, Austria shows 10,000 number of companies using direct marketing and only 3,000 in Germany.) This is obviously accounted for by different definitions of "direct marketing." In future years, every effort will be made to standardize this information.

MAIL ORDER PENETRATION IN EUROPE
(In Millions, Reflected in National Currency)

1981	Belgium	France	Germany	United Kingdom	Italy	Finland
GENERAL ECONOMY						
Population	9.9	55	61.3	56	57	4.8
National Product	—	—	1.5*	1.1	397	—
% Difference over 1980	—	—	+6.7%	+11.3%	+17.7%	+14.9%
Total Retail Business	—	861.9(B)	399*(B)	281(B)	14.1(B)	68.9(B)
% Difference over 1980	—	+12%	+2.7%	+10%	+20.5%	+13.5%
Inflation Rate	12%	14%	5.9%	12%	18.7%	13.7%
Unemployment Rate	10.2%	8%	5.5%	11.7%	9.1%	4.8%
MAIL ORDER						
Sales	11.65(B)	20.2(B)	19.3(B)	10.2(B)	650(B)	855(B)
% Difference over 1980	+11%	+19%	+6%	—	+25%	+35%
% of Total Retail Sales	1.3%	2.3%	4.8%	3.6%	0.5%	1.25%
% of Non-Food Retail Sales	1.3%	4.5%	8.2%	6.5%	1.1%	1.75%
# Employees in Mail Order	2,200	30,000	75,000	40,000	6,000	1,000

*1980 figures — 1981 figures were not available.
(B) — represents billions in national currency

Source: Statistics provided by Association executives, attending special Association meeting, Monte Carlo, February 1982.

Regulation of Business Mailing Lists International Advertising Association/Direct Marketing Association Primary Research Study Compiled by Glenda Shasho, DMA

Introduction

In December 1980 the Direct Marketing Association and the International Advertising Association jointly conducted a two-part survey among international direct marketing associations, agencies and firms in 48 countries. Questions about the size and scope of the industry as well as regulatory issues concerning business mailing lists were asked. Representatives voluntarily provided information on 18 countries. Of those, seven have mandatory data-protection laws, 11 do not.

This article concerns itself with Government Regulation of Business Mailing Lists; all charts and information are based on findings represented in the final report. Findings which concentrate on industry statistics are summarized in the following article.

The final study (130 pages) is available from the International Advertising Association (475 Fifth Avenue, New York, NY 10017 U.S.A.) for $30. The actual research and analysis were conducted by Professor J. J. Boddewyn, Professor of International Business and Arthur D. Negrin, BS, MBA, both of The City University of New York, Bernard Baruch College; they assume responsibility for the findings presented herewith.

Government Regulation of Mailing Lists

Information has become a commodity. Most direct marketers agree that a mailing list is one of the most vital ingredients of a successful campaign. Information compiled from a firm's records and information about a current or potential customer helps to position, target and present products to individuals.

The concern regarding the use of information on identifiable individuals has moved some countries, primarily in Europe, to regulate the rights of private business and government to maintain, use and transfer information about individuals through the adoption of laws. International and national standards for buying and selling this information deal with the issue of privacy. Although government concerns involve issues of economic protectionism, nationalism and freedom of speech and of the press, this study addresses the implications of privacy laws.

The overall purpose of surveying key international direct marketers about the regulatory aspects of the industry in their own country was to compile a concise source of data which provides, in English, a clear understanding of data protection laws as they apply to day-to-day functions.

In the following charts, countries with mandatory data-protection laws have been identified as "A" and those without as "B". A discussion of the principals of these laws as well as information detailing transborder data flows and the availability of personal information from government files is contained in IAA's full study.

Study results indicate that the presence of data-protection laws make a difference in a firm's legal obligations over information about identifiable individuals. This point, although it is not surprising, underscores the importance of the issue to direct marketers who may be affected because of their involvement with countries with data protection laws. Specifically, these countries usually have limitations placed on 1) what information may be maintained; 2) who may have access to it; and 3) the transfer of information to another country. Also, 4) firms must acknowledge the right of an individual to know what information about him/her is maintained and to correct it.

There are certain obligations, however, that countries with mandatory data-protection laws are divided on: 1) whether government permission is required to maintain such information; 2) whether a firm is required to remove information from its records at the request of the individual; and 3) whether government permission is required to transfer such information to another country.

There seems to be no relationship between the availability of government maintained information and countries having data-protection laws. When allowed, however, what may be done with the information is subject to the laws.

As the industry continues to grow, opportunities abroad will bring more and more direct marketers face to face with privacy laws which affect their data processing operations. Avoidance can only spell lost opportunity. Firms with an understanding of laws and an ability to work within applicable regulations will have a chance for advancement and progress.

REGULATION OF BUSINESS MAILING LISTS

	Australia (B)	Austria (A)	Belgium (B)	Canada (Quebec B)	Denmark (A)	Finland (B)	France (A)	Germany (A)	Hong Kong (B)
1. Must permission be obtained from a gov't. agency before a private business firm can create & maintain a mailing list?	No (NSW)	Yes	No	No	No	No	No (but gov't. must be notified)	No	No
2. Must a business firm obtain the permission of a potential customer before his/her name can be added to the firm's mailing list?	No	No	No	No	No	No	No	No (if name & address only are stored)	No
3. Are there limitations on the type of consumer information which may be obtained and maintained by a private business firm?	No	Yes*	No	No	Yes*	No	Yes*	Yes*	No
4. Are there limitations on who else may have access to consumer information maintained by a private firm?	No (NSW)	Yes*	No	No	Yes*	No	No answer	Yes*	No
5. Must a private firm, at the request of a customer, provide the customer with a copy of the information kept on him/her?	No (NSW: in the absence of a court order)	Yes	No	Yes	Yes	No	Yes	Yes	No
6. Does a consumer have the right to require that a private firm correct erroneous information concerning that consumer?	Yes (if a court order is obtained)	Yes	No	Yes	Yes	No	Yes	Yes	No
7. Does a consumer have the right to require that a private firm remove his/her name and other information from the firm's records?	No (NSW)	Yes	No	Yes	No	No	Yes	Yes	No
8. Does a consumer have the right to require that a private firm limit the use of information about the consumer to less than what the law allows the private firm to do with the information?	No (NSW)	No	No	Yes	No	No	Yes	Yes	No

REGULATION OF BUSINESS MAILING LISTS (continued)

	Australia (B)	Austria (A)	Belgium (B)	Canada (Quebec B)	Denmark (A)	Finland (B)	France (A)	Germany (A)	Hong Kong (B)
9. Does your gov't. make available to private business firms information about individuals which is maintained by various gov't. agencies (marriages, births, drivers licenses, etc.)?	Yes (NSW)	No	Yes	No	Yes	Yes	No	No	Yes
10. If Yes (to number 9): Do such lists remain in the possession of the gov't. agency?	Yes (NSW)	—	No	—	No	Yes	—	—	Yes
11. Must a private firm obtain permission from a gov't. agency before transferring information concerning individual consumers from your country to another?	No (NSW)	Yes**	No	No	Yes**	No	No	No	No
12. Are there limitations on transferring information about individual consumers from one part of a private firm to another part in another country?	No (NSW)	Yes*	No	No	Yes*	No	Yes*	Yes*	No
13. Would the answer to number 12 be different if the information maintained within your country was only about consumers located in another country?	No (NSW)	No	No	No	Yes (no limitation when info. maintained solely for electronic processing)	No	No	No	No

(A) Countries having mandatory data-protection laws.
(B) Countries without mandatory data-protection laws.
* See full IAA report for listing of limitations.
** Information regarding the name of the gov't. agency which must be contacted to obtain permission and requirements, are listed in the full IAA report.

REGULATION OF BUSINESS MAILING LISTS

	Italy (B)	Japan (B)	Luxembourg (A)	Norway (A)	Spain (B)	Sweden (A)	Switzerland (B)	United Kingdom (B)	U.S.A. (B)
1. Must permission be obtained from a gov't. agency before a private business firm can create & maintain a mailing list?	No	No	Yes	No	No	Yes	No	No	No
2. Must a business firm obtain the permission of a potential customer before his/her name can be added to the firm's mailing list?	No	No	No	No	No	No	No	No	No
3. Are there limitations on the type of consumer information which may be obtained and maintained by a private business firm?	Yes*	No	Yes*	Yes*	No	Yes*	Yes*	No	No
4. Are there limitations on who else may have access to consumer information maintained by a private firm?	No	No	Yes*	Yes*	No	Yes*	No	No	No
5. Must a private firm, at the request of a customer, provide the customer with a copy of the information kept on him/her?	No	No	Yes	Yes	No	Yes	Yes (if that person demonstrates the info. affects privacy)	No	No
6. Does a consumer have the right to require that a private firm correct erroneous information concerning that consumer?	No	No	Yes	Yes	No	Yes	Yes	No	No
7. Does a consumer have the right to require that a private firm remove his/her name and other information from the firm's records?	No	No	Yes	No	No	Yes	Yes	No	No
8. Does a consumer have the right to require that a private firm limit the use of information about the consumer to less than what the law allows the private firm to do with the information?	No	No	No	No	No	No	No	No	No

REGULATION OF BUSINESS MAILING LISTS (continued)

	Italy (B)	Japan (B)	Luxembourg (A)	Norway (A)	Spain (B)	Sweden (A)	Switzerland (B)	United Kingdom (B)	U.S.A. (B)
9. Does your gov't. make available to private business firms information about individuals which is maintained by various gov't. agencies (marriages, births, drivers licenses, etc.)?	No	No	No	No	No	Yes	Yes	Yes	Yes (but varies from state to state)
10. If Yes (to number 9): Do such lists remain in the possession of the gov't. agency?	—	—	No answer	—	—	No	No	No	No
11. Must a private firm obtain permission from a gov't. agency before transferring information concerning individual consumers from your country to another?	No	No	No answer	Yes**	No	Yes**	No	No	No
12. Are there limitations on transferring information about individual consumers from one part of a private firm to another part in another country?	No	No	Yes*	Yes*	No	Yes*	No (unless the transfer can be regarded as a prohibited transfer of intelligence)	No	No
13. Would the answer to number 12 be different if the information maintained within your country was only about consumers located in another country?	No	No	No	No	No	No	No	No	No

(A) Countries having mandatory data-protection laws.
(B) Countries without mandatory data-protection laws.
* See full IAA report for listing of limitations.
** Information regarding the name of the gov't. agency which must be contacted to obtain permission and requirements, are listed in the full IAA report.

International Direct Marketing Updated Statistics and Information

Introduction

This is a summary of a two-part study jointly conducted in 1980 by DMA and the International Advertising Association. The answers are based on the actual responses to a worldwide survey which focused on the size and scope of the direct marketing industry from both a statistical and regulatory point of view.

Over 150 direct marketing associations and practitioners were contacted in 48 countries. Complete answers were obtained for 18 countries. This study analyzes the information covering the statistical questions. Findings from the second part of this study, "Regulation of Business Lists," precedes this information.

In July 1981, a copy of a 33-page ABRIDGED FINDINGS was mailed as a member service to all international DMA members. A complete copy of the final study (130 pages) is available from the International Advertising Association (475 Fifth Avenue, New York, NY 10017 U.S.A.) for $25.

The actual research and analysis were conducted by two Project Directors who assume responsibility for the findings presented here: Professor J. J. Boddewyn, Professor of International Business, and Arthur D. Negrin, BS, MBA, both of The City University of New York, Bernard Baruch College.

Worldwide Direct Marketing Statistics

Studying the performance of the international direct marketing industry for 1979 had multiple purposes. Foremost, the intent was to discover what is occuring within the industry. Attempts were made to uncover what direct marketers in 48 countries spend on advertising, and breakdowns of those expenditures were also sought. In addition, total sales generated by these advertising expenditures for the past five years were compiled.

Of all the findings that this thesis has uncovered, none came as a surprise to the practitioners in direct marketing. The industry has capitalized on the achievements and growth of the past ten years and is looking to perform even better through the 1980s. Direct marketing expenditures, for example, are simply exploding worldwide. As a result, sales generated by those expenditures have dramatically risen since the mid-1970s.

Among the thousands of products being bought by the consumer through direct response, purchases of books and book club memberships showed the largest following in 1979. This was a continuation of a trend going back into the early 1970s. Of the 18 countries that returned a completed survey, eight rated book sales as the largest direct response purchase item. West Germany showed a remarkable 14% of its direct response market purchasing books. In France, one in five books are sold by mail. Other items that represent large volumes of worldwide direct purchases are clothing, crafts and hobbies, and general merchandise and gifts.

The study also reveals a promising future for direct marketers. New innovations are making it increasingly easier and more practical for the consumer to do *all* of his shopping from his home. Even the more conventional methods of direct marketing—catalogs, telephone marketing, etc.—are still enjoying exceptional popularity and are being extensively utilized. Direct marketers are finding success with the use of all media and all technological innovations available to them. All trends are pointing only to a continuation of their success.

The new technologies will help increase industry profits even further beyond the amazingly high levels achieved through the 1970s. It will no longer be a fantastic statistic when a country of perhaps 100 million people totals direct marketing sales in excess of $10 billion. Today, only two countries, the United States and West Germany, can lay claim to that achievement.

It will also be common to see direct marketing expenditures totalling over 20% of an entire advertising dollar in one country. Direct mail alone will be responsible for a large portion of that amount.

More conventional methods of media will no longer be as greatly emphasized and employed. Already, cable TV has made a great impact on the industry. The use of the satellite is changing the face of many nations and is playing a major role in revolutionizing the industry.

It is not projected nor known at this time whether the industry's success will peak. Huge growth is being experienced in the industry worldwide, with more corporations and small businesses turning to this medium to help them obtain increased market shares. More direct marketing businesses are being formed to meet the increasing demand for their services. And, of course, more people are buying more products using direct marketing methods. The public is not just settling for conventional products, either. Along with books and records, which seem to be the largest overall sellers direct, other more exotic items, such as antiques, plants and even ant farms are also being bought direct. This breadth of purchased product categories facilitates the introduction of a greater number of direct marketing concerns into the marketplace.

Direct marketers have suddenly found themselves at the end of one great era, only to be entering *another* era with even greater prospects. They anticipate, and rightly so, increased profits, greater sales volumes, and a larger market base from which to realize profits. This is a realistic objective when the trends of the '70s are joined with consumer receptiveness and the new electronic innovations of the '80s. Together, they will provide the industry with power and direction in the years ahead.

TABLE 1

DIRECT MARKETING EXPENDITURES, 1979 (millions of US dollars)		SALES ATTRIBUTED TO DIRECT MARKETING (millions of US dollars)			
Country	Amount	Country	1980 (est.)	1979	1978
1. United States	$19,748.2	1. United States	$110,000.0	$99,000.0	$87,000.0
2. West Germany	2,236.1	2. West Germany	10,100.0	9,445.0	8,833.0
3. United Kingdom	1,150.1*	3. France	NA	3,559.5	3,047.0
4. Japan	759.2	4. United Kingdom	3,000.0	NA	NA
5. Netherlands	510.0	5. Japan	2,420.7	2,050.0	1,737.0
6. France	500.0	6. Canada	1,349.1	1,308.9	1,274.0
7. Canada	495.3	7. Netherlands	700.0	612.5	538.0
8. Switzerland	240.0	8. Italy	588.0	488.2	370.0
9. Austria	150.0	9. Denmark	240.9	227.2	212.0
10. Norway (est.)	72.0	10. Finland	203.7	167.9	144.0
11. Italy	50.0	11. Mexico	100.0	85.0	80.0
12. South Africa	32.8	12. South Africa	27.9	25.2	25.0
13. Finland	30.0	13. Singapore	19.4	12.1	NA
14. Mexico	19.9	14. Austria	5.0	NA	NA
15. Denmark	18.1	15. Hong Kong	NA	NA	NA
16. Hong Kong	2.0	16. Norway	NA	NA	NA
17. Singapore	1.1	17. Switzerland	NA	NA	NA
18. Thailand	NA	18. Thailand	NA	NA	NA

Source: DMMA/IAA 1980 Survey.

*This figure excludes the "agency catalog with credit" sales operations which represent some 80-85% of UK catalog sales.

TABLE 2

BREAKDOWN OF TOTAL DM/DR ADVERTISING EXPENDITURES BY MEDIA

(in millions of dollars)

	Austria		Canada		Denmark		Finland		France		Hong Kong		Italy		Japan		Mexico		Netherlands	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
(A) Direct Mail	na	na	282.2	57.2	14.5	80	na	na	433.0	86	na	na	45	90	535.9	71	16.5	82.5	na	na
(B) DM/DR Magazine Space	"	"	85	17.2			"	"			"	"			44.7	6	1.2	6	"	"
(C) DM/DR Magazine Inserts	"	"	21.3	4	1.8 (B & C)	10	"	"	50.9 (B-E)	10	"	"	5 (B-J)	10	22.3	3	1.7	8.5	"	"
(D) DM/DR Newspaper Space	"	"	42.6	8			"	"			"	"			89.3	13	.2	1.0	"	"
(E) DM/DR Newspaper Preprints	"	"	21.3	4	1.8 (D & E)	10	"	"			"	"			.9	-	-	-	"	"
(F) DM/DR Telephone Marketing	"	"	22.9	4	-	-	"	"	5.9	1	"	"			-	-	-	-	"	"
(G) DM/DR Coupons	"	"	17.0	3	-	-	"	"	-	-	"	"			59.4	8	-	-	"	"
(H) DM/DR Television	"	"	.85	.001	-	-	"	"	-	-	"	"			2.2	-	-	-	"	"
(I) DM/DR Radio	"	"	-	-	-	-	"	"	10.2	2	"	"			4.4	-	.23	1.5	"	"
(J) Other	-	-	-	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-
TOTAL	150		495.3		18.1		30		500		2		50		759.2		19.85		510	

TABLE 2 — Continued

BREAKDOWN OF TOTAL DM/DR ADVERTISING EXPENDITURES BY MEDIA

(in millions of dollars)

	Norway		Singapore		South Africa		Switzerland		Thailand		United Kingdom*		U. S. A.		West Germany	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
(A) Direct Mail	na	na	.14	13.2	32.8	99	na	na	na	na	1,150.0*	-	8,876.0	-	2,236.1	-
(B) DM/DR Magazine Space	2.6	3.6	.095	9.0	-	-	"	"	"	"	na	na	123.0	-	na	na
(C) DM/DR Magazine Inserts	na	na	.019	2.0	-	-	"	"	"	"	"	"	na	-	"	"
(D) DM/DR Newspaper Space	4.4	6.1	.80	75.8	-	-	"	"	"	"	"	"	54.4	-	"	"
(E) DM/DR Newspaper Preprints	na	na	-	-	-	-	"	"	"	"	"	"	1,779.5	-	"	"
(F) DM/DR Telephone Marketing	"	"	-	-	.0006	-	"	"	"	"	"	"	8,555.6 (1978 figure)	-	"	"
(G) DM/DR Coupons	"	"	-	-	-	-	"	"	"	"	"	"	72.0	-	"	"
(H) DM/DR Television	"	"	-	-	-	-	"	"	"	"	"	"	217.0	-	"	"
(I) DM/DR Radio	"	"	-	-	-	-	"	"	"	"	"	"	23.0	-	"	"
(J) Other	"	"	-	-	-	-	"	"	"	"	"	"	47.0**	-	"	"
TOTAL	7.0***		1.054		32.8		240.0		na		1,150.0		19,748.2		2,236.1	

* For *United Kingdom* calculations, "DM" means consumer and industrial direct mail advertising; "DR" means response in various media. These definitions *exclude* 80-85% of DM sales since this portion is the "agency catalog with credit" sales operation.

** For the U.S.A., this figure represents business magazines (industrial products only).

***Estimated figure is 72.0 million.

TABLE 3 — Austria through The Netherlands

DMMA/IAA INTERNATIONAL DIRECT MARKETING SURVEY: STATE OF THE INDUSTRY STATISTICS (1979)

	Austria	Canada	Denmark	Finland	France	Hong Kong	Italy	Japan	Mexico	Netherlands
(1) Estimate of the total DM/DR sales (turnover) generated by DM/DR advertising expenditures.										
Year 1975 ($, millions)	na	1,183.0	148.0	na	1,976.0	na	211.7	1,071.9	88.0	365.0
Year 1976	na	1,192.0	173.0	78.8	2,309.0	na	258.8	1,250.5	104.0	440.0
Year 1977	na	1,239.0	201.8	95.0	2,714.2	na	305.5	1,473.8	128.0	487.0
Year 1978	na	1,274.0	212.9	144.0	3,047.6	na	370.5	1,737.3	80.0	538.0
Year 1979	na	1,308.0	227.2	167.9	3,559.5	na	488.2	2,050.0	85.0	612.5
Year 1980 (estimates)	5	1,349.0	240.9	203.7	na	na	588.0	2,420.7	100.0	700.0
(2) How many companies use DM/DR in their marketing operations?										
USERS (sellers)	10,000	400	3,000	50	300	50	27	3,000	25	100
SUPPLIERS	60	100	25	8	100	8	35-40	1,000	100	500
(3) How many *jobs* are created by the DM/DR industry in your country?										
Approximate #	na	60,000	na	931	40,000	100	6,000 direct 30,000 indirect	na	1,250	na
% of labor force	na	.4%	na	.044%	.002%	na	na	na	.01%	na
(4) Approximate number of direct pieces mailed annually in country? (1979) (millions)	600	1,500	445	164.2	1,400	na	1,650	2,500	na	300-400
(5) Current Postal Rates for direct mail in your country (in U.S. cents).										
First class, up to___grams	20g; 30¢	30g; 17¢	20g; 23¢	20g; 30¢	20g; 33¢	30g; 4¢	20g; 20¢	20g; 22¢	50g; 3¢	20g; 30¢
up to___grams		50g; 26¢	100g; 36¢	100g; 41¢	100g; 82¢	50g; 6¢	50g; 38¢	50g; 27¢		50g; 55¢
Bulk mail, up to___grams	20g; 4¢	50g; 9¢	20g; 14¢	20g; 11.4¢	20g; 14¢	30g; 4¢	100g; 3¢	same	50g; 12¢	20g; 14¢
up to___grams	50g; 10¢	over 50g; 3.4¢ apiece & $1.12/pkg.	100g; 23¢	50g; 15.7¢	-	50g; 4¢	150g; 6¢			
(6) Number of Postal Rate increases in the past five (5) years.	3	5	4	4	9	na	3	2	1	3
(7) Are postal rate increases expected within the next two (2) years?	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Uncertain
If YES, what should new rates be?										
First class, up to___grams	20g; 40¢	30g; 20¢	20g; 27¢	20g; 32.6¢	no	-	20g; 24¢	25g; 27¢	50g; 8¢	
up to___grams	-	50g; 31¢	100g; 40¢	100g; 45¢	increase	-	-	50g; 31¢	-	
Bulk mail, up to___grams	20g; 11¢	50g; 11¢	20g; 16¢	20g; 12.8¢	15%	-	100g; 4¢	no	50g; 3¢	
up to___grams	-	over 50g; 4.4¢ apiece & $1.25/pkg.	100g; 27¢	50g; 17.4¢	15%	-	150g; 2¢	increase		

TABLE 3 — Continued

DMMA/IAA INTERNATIONAL DIRECT MARKETING SURVEY: STATE OF THE INDUSTRY STATISTICS (1979)

	Austria	Canada	Denmark	Finland	France	Hong Kong	Italy	Japan	Mexico	Netherlands
(8) What are the most important sources of mailing lists in your country, when 1 = most important?										
House lists of customers	1	1	1	1	1	1	1	1	1	1
Rented lists from other firms	2	2	2	3	2	2	2	2	3	2
Compiled lists from public	3	3	3	2	3	3	-	3	2	3
(9) How many lists, either rented or compiled, are commercially available in your country?	2,000	7,000	825	300 (estimate)	na	100+	3	30	8	na
(10) Rank of Product/ Service categories which generate the largest DM/DR sales (turnover) in your country.										
Electronic Goods	10	10	-	8	5	-	5	4	9	6
Crafts & Hobbies	9	4	5	6	-	-	6	10	8	3
Books & Book Clubs	1	1	1	1	3	3	3	6	1	2
Records & Tapes	12	11	-	3	-	-	7	5	2	5
Clothing	11	6	3	4	1	-	1	7	10	1
Insurance	8	7	-	11	6	-	12	11	6	8
Magazine Subscriptions	5	2	-	2	4	1	9	8	3	9
General Merchandise & Gifts	2	3	-	7	-	2	4	1	4	7
Housewares & Home Furnishings	7	5	4	5	2	-	2	2	7	4
Food & Drink	6	12	2	12	-	-	8	12	-	-
Jewelry	3	9	-	10	7	4	11	9	5	11
Sporting Goods	4	8	-	9	8	-	10	3	-	10
(11) According to latest information what percentage of general consumers are favorably disposed to DM/DR marketing?	50%	75%	25%	40%	80%	na	60-70%	80%	15%	70%
What percentage of business consumers are favorably disposed?	70%	75%	30%	-	87%	na	na	na	na	na
(12) What major trends in your society & economy have affected the development of the DM/DR industry? Economic, Political Social/Cultural Physical/ Technological		Federal government cooperation; consumerism/ self-regulation.		Depression in '76/77; sparse population; New Consumer Law in 1978.	Stability of prices for big catalogues; people spend more time at home; development of telephone implant in France in the last ten years. Development of computerized communications systems.	Installation of computers.	Increase of industrialization; poor postal system.	Relaxed attitude toward buying by credit & mail order; increased electronic communications.		Consumer protection; increased recreation; use of computers.

TABLE 4 — Norway through West Germany

DMMA/IAA INTERNATIONAL DIRECT MARKETING SURVEY: STATE OF THE INDUSTRY STATISTICS (1979)

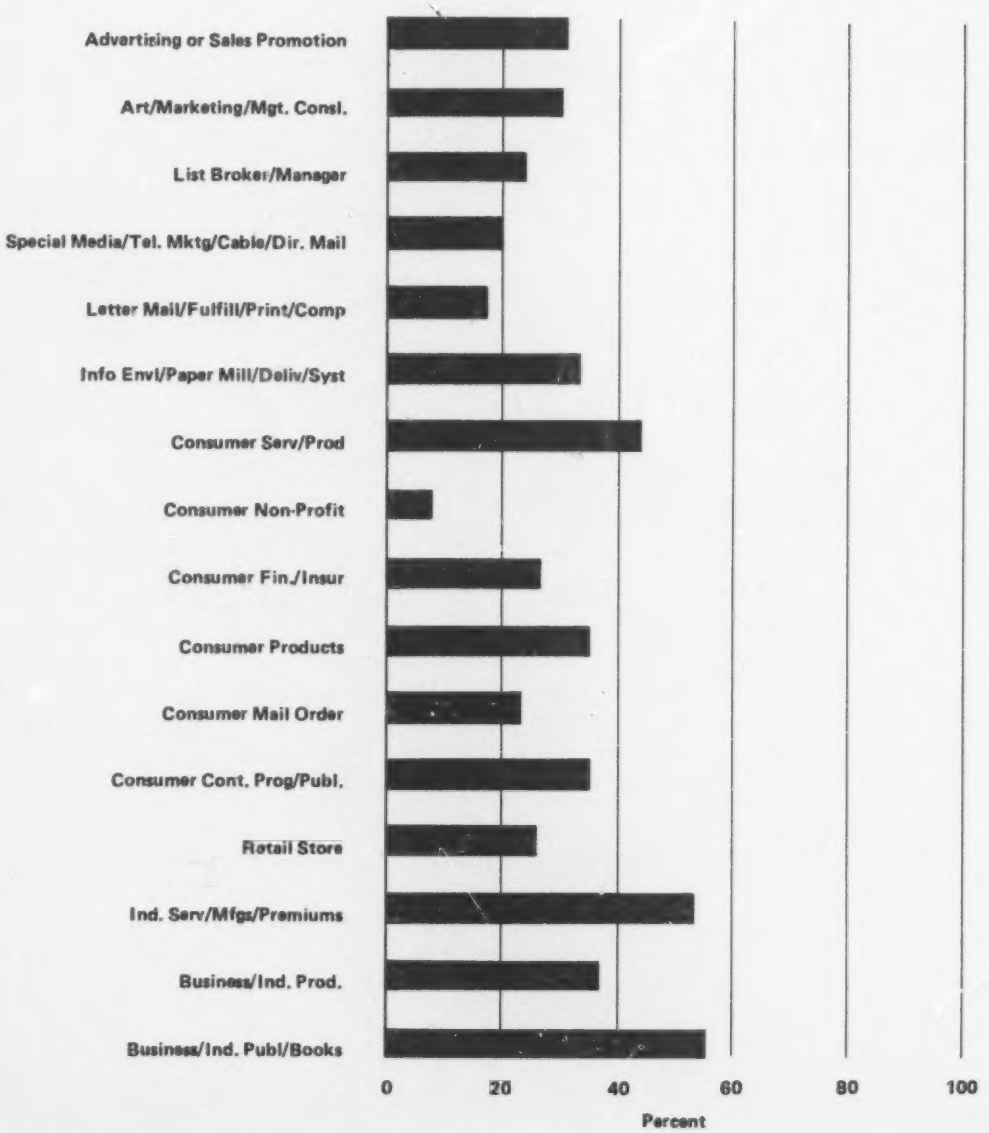
	Norway	Switzerland	Singapore	South Africa	Thailand	United Kingdom	U. S. A.	West Germany
(1) Estimate of the total DM/DR sales (turnover) generated by DM/DR advertising expenditures.								
Year 1975 ($, millions)	na	na	na	19.9	na	na	60,000.0	7,277.7
Year 1976	"	"	"	23.9	"	"	75,000.0	7,722.2
Year 1977	"	"	"	23.9	"	"	82,000.0	8,472.2
Year 1978	na	na	na	25.2	na	na	87,000.0	8,833.3
Year 1979	"	"	12.1	25.2	"	"	99,000.0	9,445.0
Year 1980 (estimate)	"	"	19.4	27.9	"	3,000.0	na	10,100.0
(2) How many companies use DM/DR in their marketing operations?								
USERS (sellers)	50	15,000	30	250	10-20	400 DR (& unknown # DM)	10,000	3,000
SUPPLIERS	20	1,000	3	16	na	1,000	2,000 (approx.)	4,000
(3) How many *jobs* are created by the DM/DR industry in your country?								
Approximate #	na	10,000	60	300	na	na	na	600,000
% of labor force	na	1%	4%	.008%	na	na	na	2.5%
(4) Approximate number of direct mail pieces mailed annually in country? (1979; millions)	200	1,180	.500	130	na	1,000.0 1,500.0	32,580.461	2,270.6
(5) Current Postal Rates for direct mail in your country (U.S. cents).								
First class, up to _____ grams	20g; 25¢	250g; 25¢	20g; 4.7¢	50g; 6.6¢	20g; 4¢	8?g; 28¢	1 oz.; 15¢	20g; 33¢
up to _____ grams	50g; 40¢	-	50g; 11.9¢	100g; 13.3¢	50g; 5¢	100g; 40¢	each add.; 13¢	50g; 55¢
Bulk mail, up to _____ grams	50g; 13¢	50g; 12.5¢	50g; 4.7¢	50g; 5.3¢	20g; 1¢	60g; 18¢	per piece; 8.4¢	20g; 14¢
up to _____ grams	100g; 20¢	250g; 22¢	100g; 7¢	100g; 10.6¢	50g; 1¢	100g; 28¢ (acc'd. to volume & presort)	carrier rte. presort; 6.7¢	50g; 18¢
(6) Number of postal rate increases in the past five (5) years.	2	1	2	3	2-3	1	3	3
(7) Are Postal Rate increases expected within the next two (2) years?	Yes	No	Yes	Yes	No	Yes	Yes	Yes
If YES, what should new rate be?								
First class, up to _____ grams	20g; 27¢	-	20g; 7¢	50g; 9.3¢	-	60g; 33¢	up to 1 oz; 20¢ (approx.)	20g; 39¢
up to _____ grams	50g; 44¢	-	50g; 16.6¢	100g; 16¢	-	100g; 47¢		50g; 66¢
Bulk Mail, up to _____ grams	50g; 16¢	-	50g; 7¢	50g; 6.6¢	-	60g; 22¢	per piece; 10.4¢	20g; 19¢
up to _____ grams	100g; 24¢	-	100g; 9.5¢	100g; 13.3¢	-	100g; 33¢ (bulk acc'd to volume & presort)		30g; 25¢

TABLE 4 — Continued

DMMA/IAA INTERNATIONAL DIRECT MARKETING SURVEY: STATE OF THE INDUSTRY STATISTICS (1979)

	Norway	Switzerland	Singapore	South Africa	Thailand	United Kingdom	U. S. A.	West Germany
(8) What are the most important sources of mailing lists in your country, where 1 = most important?								
House lists of customers	1	3	2	1	2	1	1 & 2	1
Rented lists from other firms	3	2	3	3	3	2	1 & 2	2
Compiled lists from public	2	1	1	2	1	3	3	3
(9) How many lists, either rented or compiled, are commercially available in your country?	10-15	2,000	80	80-100	0	10,000	25,000+	4-5,000
(10) Rank of Product/Service categories which generate the largest DM/DR sales (turnover) in your country.								
Electronic Goods	7	na	4	-	-	3	9	4
Crafts & Hobbies	3	"	6	-	-	9	6	6
Books & Book Clubs	1	"	1	2	2	1	4	3
Records & Tapes	6	"	9	6	3	2	8	
Clothing	5	"	10	1	-	5	5	2
Insurance	9	"	11	-	-	6	1	-
Magazine Subscriptions	4	"	2	7	1	12	3	-
General Merchandise & Gifts	2	"	5	5	-	4	2	1
Housewares & Home Furnishings	8	"	3	3	-	7		
Food & Drink	12	"	12	-	-	11	7	5
Jewelry	10	"	7	4	-	8	11	7
Sporting Goods	11	"	8	-	-	10	10	-
(11) According to latest information, what percentage of general consumers are favorably disposed to DM/DR marketing?	12%	33% (33% also indifferent)	na	80%	5-10%	95%	65%	83%
What percentage of business consumers are favorably disposed?	na	80%	na	na	na	100%	na	35%
(12) What major trends in your society & economy have affected the development of the DM/DR industry?								
Economic, Political Social/Cultural Physical/Technological	Consumerism.	-	Western influence.	Economic slump, '77-79; racial uncertainty; two official languages.	-	High postal rates; wives working; growth of consumerism.	At home convenience; economical, full service shopping; more working women; dissatisfaction with retail.	Inflation/prices political stability; wives working; more spare time; laser & computer printing; personalization of advertising approach.

COMPANIES HAVING INTEREST IN DIRECT MARKETING OUTSIDE THE U.S.*



*Proportionate to the number of companies within that industry.

SOURCE: MAP Survey, DMA, 1982

(Base = 673 Voting Members)

LIST OF MAIL ORDER OR DIRECT MARKETING ASSOCIATIONS IN THE WORLD

AUSTRALIA

AUSTRALIAN DIRECT MARKETING ASSOCIATION
Attn.: Marie Byrne
Executive Director
CBA Building, 10F
60 Margaret Street
Sydney

AUSTRIA

HANDELSVERBAND, ARBEITSGRUPPE VERSANDHAÜSER (MO Association)
Attn.: Dkfm. Paul Mailath-Pokorny
Präsident
Alser Strasse 45
10180 Wein

BELGIUM

GROUPEMENT DES ENTREPRISES DE VENTE PAR CORRESPONDANCE (M0 Association) c/o A.G.E.D.
Attn.: Mr. Paul Waterloos
Président
Reu de la Socience 3
1040 Bruxelles

CANADA

DIRECT MARKETING CLUB OF TORONTO
Attn.: Mr. Bob Burns
President
P.O. Box 300
Toronto, Ontario M5W 1A5

CANADIAN DIRECT MARKETING ASSOCIATION
Attn.: Mr. Frank Ferguson
President
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DENMARK

THE DANISH DIRECT MARKETING ASSOCIATION
Attn.: Mr. Lars Wilhelmsen
Chairman
c/o Dansk Markedsforingsforbund
H.C. Andersens Boulevard 48
1553 Kobenhavn V

FINLAND

FINNISH DIRECT MAIL ASSOCIATION
Attn.: Mr. Pentta Reinas
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FRANCE

SYNDICATE DES ENTREPRISES DE VENTE PAR CORRESPONDANCE (MO Association)
Attn.: Mr. Bernard Pruvost
Délégué Général
63 Rue La Boétie
75008 Paris

GERMANY

BUNDESVERBAND DES DEUTSCHEN VERSANDHANDELS B.V. (MO Association)
Attn.: Dr. Peter Fritsche
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Johann-Klotz Strasse 12
6000 Frankfurt am Main 71

ITALY

ASSOCIAZIONE NATIONALE FRA AZIENDE DI VENDITA PER CORRISPONDENZA (MO Association)
Attn.: Mr. Graziano Fiorelli
President
Via Melchiore Gioia 70
20125 Milano

JAPAN

JAPAN DIRECT MAIL ASSOCIATION
Attn.: Mr. Tatsuo Izumi
Secretary
Masuda Building 3-2-12 Kyobaschi
Chuo-Ku, Tokyo 104

MEXICO

ASOCIACION MEXICANA DE PERCADOTECIA POR CORREO DIRECTO (MO Association)
Attn.: Mr. Koos H. Wiewers
c/o Libros de Time-Life
Paseo de la Reforma
Mexico City 5

THE NETHERLANDS

DIRECT MARKETING INSTITUUT NEDERLAND (DM Association)
Attn.: Mr. J. R. Bouten
Executive Director
Postbus 23
2600 AA Delft

NEW ZEALAND

NEW ZEALAND DIRECT MAIL ASSOCIATION
Attn.: Mr. George Craig
Secretary
P.O. Box 643
Lambton Quay
Wellington 1

SINGAPORE

DIRECT SELLING ASSOCIATION
Attn.: Mr. Thomas Heng
c/o STP Distributors
International Building
Orchard Road
Singapore 0923

SOUTH AFRICA

SOUTH AFRICAN DIRECT MAIL ADVERTISING ASSOCIATION
Attn.: Mr. J.A. Fisch
Chairman
Union Square
Plein Street
Johannesburg 2000

SPAIN

ASOCIACION DE EMPRESARIOS DE VENTA Y PROMOCION POR CORREO (MO Association)
Attn.: Mr. Juan Menal
President
Ronda General Mitre 182
Barcelona 6

SWEDEN

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Attn.: Public Relations Manager
P. B. 45110
10430 Stockholm

SWITZERLAND

SWISS DIRECT MARKETING ASSOCIATION
Attn.: Mr. Hans R. Waldmeier
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UNITED KINGDOM

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1 New Burlington Street
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BRITISH DIRECT MARKETING ASSOCIATION
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MAIL ORDER TRADERS ASSOCIATION
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DIRECT MARKETING ASSOCIATION, INTERNATIONAL
Attn.: Mr. Marcel Avargues
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EUROPEAN DIRECT MAIL ASSOCIATION
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EUROPEAN MAIL ORDER ASSOCIATION
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Geschäftsführer
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15

Government Regulations & Legislation

by
Jonah Gitlitz
Richard A. Barton
DMA, Washington

A. Privacy

1. Use of Mailing Lists

Mailing List rental or exchange raises some sensitive public issues that need to be considered. Invasions of privacy during the Watergate era led Congress to pass the Privacy Act of 1974, which in turn created the Privacy Protection Study Commission (PPSC). This Commission was charged with examining list rental and exchange practices and deciding whether or not "an organization engaged in interstate commerce should be required to remove from its mailing list the name of an individual who does not want to have his name on it."

The PPSC issued its recommendations in 1977, stating that mandatory federal legislation was not necessary at that time. However, the Commission urged mailers to disclose voluntarily their rental practices and to give individuals an opportunity to have their names removed from lists before rental takes place. The state governments were urged to survey their name rental practices, also, with particular emphasis on the lists of the motor vehicle departments.

DMA worked closely with the Commission for two years including testifying at hearings, coordinating the testimony of others, and providing numerous opportunities for Commission members to meet and talk with direct marketers.

2. Role of the Mail Preference Service

Perhaps the main reason the Privacy Protection Study Commission stated that no federal legislation was needed in the list rental area was due to the existence of the Mail Preference Service. This service, begun in 1971, offers consumers the chance to be added to or removed from lists before rental takes place. Initiated, maintained and promoted by DMA, MPS has achieved great acceptance by consumers and by agencies dedicated to assisting consumers, such as the Federal Trade Commission, USPS, The White House Office of Consumer Affairs, and state Consumer Affairs departments.

Interestingly, over the years more consumers have asked to be *added to new lists* than to be removed from them. In fact, starting with the gasoline shortages in the late 1970s, the ratio of those asking to be added vs. those wanting name removal has jumped to two to one. As of July 15, 1981, there were 194,396 families who asked to have their names removed, compared to 280,648 families who asked to be added on.

DMA also has urged individual companies to follow the other recommendation of the PPSC, which is that companies disclose their rental practices to their customers. Individual visits, use of a film called "Privacy, Freedom and the Mails" and wide distribution of a booklet entitled, "Do You Want the Freedom to Mail or Do You Want

the Government to Run Your Business" all contributed to this educational process. Experience has shown that disclosure notices have produced only a small percentage of people who ask to have their names removed. In fact, a list which has been purged of those not wanting to receive advertising mail becomes more valuable than one which has not been run against the DMA master tape.

For some years DMA had an Honor Roll of those companies which had complied with the PPSC recommendations by disclosing their rental practices. The list now includes the vast majority of DMA member companies and the few which do not comply are being contacted individually. Efforts have now been widened to include non-DMA member companies and allied industries in a position to promote good list rental practices to their customers or suppliers.

3. Access to State Lists

While the federal government cannot mandate legislation for individual states, the PPSC did recommend that the use of state lists be scrutinized. The number of bills which would restrict use of motor vehicle registration and licensed driver lists has escalated in recent years, ranging from 20 to 30 a year. DMA has fought hard to keep these lists available for rental, marshaling support from member companies located in appropriate states and employing lobbyists as needed. As of 1981, there were 17 states which restricted use of motor vehicle lists and six states which do not permit access to lists of licensed drivers.

4. How To Keep a Name Off A Mailing List[1]

"If an individual does not want to receive unsolicited direct mail he can keep his name off most lists by becoming a modern-day-hermit—by paying cash for all his purchases, not owning a car, giving to charities anonymously, always buying magazines at newsstands, never responding to a door-to-door survey, never signing a petition or a guest book, never registering to vote, and never attending a meeting, conference, or newsworthy social event. Even so he may still get a certain amount of unsolicited mail addressed to 'Occupant,' but not much because 'Occupant' mailings are not selective enough for most mailers.

"There are, to be sure, less anti-social ways for an individual to choke off his direct mail traffic, provided he knows of them. The Commission learned of four others: an individual can send a personal letter of objection to every organization he suspects is renting or otherwise making his name available to direct mailers; he can exercise the 'negative check-off option' that some organizations offer him; he can lodge his request not to receive mail with the Mail Preference Service, a centralized delisting program operated by the Direct Mail/Marketing Association; and he can use the delisting service the Post Office maintains for individuals who do not want to receive obscene advertising. What he must NOT do, if he wants his correspondence to have any effect, is write to the organization that sends him unsolicited mail without having first established a relationship with him, because, as explained earlier, the user of a list normally does not have his name until he responds to its advertisement or solicitation. Moreover, he must NOT ask that his name be REMOVED from the mailing list, but rather that in the records used to develop the mailing list a notation be put *next* to his name indicating that he does not want it to be used for direct mail marketing or solicitation. That will assure that his name will be omitted from any list another organization is permitted to use."

[1]Excerpted from the July 1977 Privacy Protection Commission's "Report on Mailing Lists."

B. Federal Trade Commission

1. Credit

The Federal Trade Commission (FTC) has some major enforcement responsibilities in the area of credit regulations affecting all businesses. A summary follows.

Fair Credit Reporting Act. Effective in 1971. The Fair Credit Reporting Act (sometimes referred to as "FCRA") is the first federal regulation of the consumer reporting industry. Its basic purpose is to insure that consumer reporting agencies exercise their responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy. The law requires consumer reporting agencies to adopt reasonable procedures for providing information to credit grantors, insurers, employers and others in a manner that is fair and equitable to the consumer with regard to confidentiality, accuracy, and the proper use of such information.

The FCRA is primarily designed to regulate the consumer reporting industry and place disclosure obligations on users of consumer reports. For the most part, the consumer reporting industry is comprised of credit bureaus, investigative reporting companies and other organizations whose business is the gathering and reporting of information about consumers, for use by others in making a decision concerning whether to grant

credit, underwrite insurance or employ the subject of such reports.

Users of consumer reports must inform consumers when adverse action (such as denial of credit, insurance or employment) is taken on the basis of such report, and the user must identify the consumer reporting agency making the report.

While the FCRA establishes a statutory code of conduct for the consumer reporting industry, a business which collects its own information is not regulated as a consumer reporting agency. Moreover, information which is reported by one business to another is not considered to be a consumer report when that information is the reporting company's own experience (for example, "My records reflect that Mr. Jones was late on 8 of 12 payments"). However, when a businessman regularly reports information other than his own experience, that may constitute a consumer report within the meaning of the FCRA; (for example, "I have no file on Mr. Jones, but I know that he has a poor record of payment at the bank").

The information need not be derogatory to constitute a consumer report. Any information, good or bad, written or oral, that bears on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living will be a consumer report if it is:

- Used or expected to be used
- Collected in whole or in part

for the purpose of considering the consumer's eligibility for consumer credit, insurance, employment, or other authorized business purposes.

Special rules apply to the type of consumer reports that involve personal interviews with third persons who may have knowledge about the consumer's character, general reputation, personal characteristics or mode of living. These are referred to as "investigative consumer reports," and, as a rule, the consumer is entitled to be informed when he may be the subject of such a report.

In February, 1973, FTC issued six final interpretations which in essence state that the Act:

- Prohibits publication and distribution by credit bureaus of books containing consumers' credit ratings, called "credit guides," unless encoded to insure consumers' anonymity.
- Allows the use of certain kinds of "protective bulletins" which identify check forgers, swindlers and the like—so long as no information in them is reasonably expected to be used in establishing the subjects' eligibility for credit, insurance or employment.
- Requires that consumers be informed by prospective lenders when they are denied credit on the basis of information furnished by loan exchanges or loan exchange members.
- Requires that when an insurance company uses a state motor vehicle report to deny or increase the cost of a consumer's insurance, it informs him of that fact and of the state agency's identity.
- Permits consumer-reporting agencies to prescreen prospects' names for creditworthiness for direct mail solicitations, so long as the user certifies that every person on the list furnished by the credit bureau will receive an offer to enter into the particular business relationship involved.
- Concludes that reporting activities of federal agencies such as the Office of Personnel Management will not be included within the scope of the FCRA.

Truth in Lending Act—Regulation Z. Became effective July 1, 1969. The most pertinent section for all companies dealing in any way in consumer credit selling (includes credit cards) is Regulation Z. The most recent amendments to Regulation Z were issued April 1, 1981 and become fully effective April 1, 1982. The Regulation is administered by nine government agencies. However, for retail, department stores, consumer finance companies and all credit card companies, the administering agency is the FTC. Banks are responsible to various agencies depending on their incorporation.

The major purpose of the Act is to assure that every customer who has need for consumer credit is given meaningful information with respect to the cost of that credit. Other relevant credit information must also be disclosed so that the customer may readily compare the various credit terms available to him from different sources and avoid the uninformed use of credit. A further proviso gives the customer, under certain circumstances, the right to cancel a credit transaction. Advertising of consumer credit terms must comply with specific requirements; credit issuance and the limits on the cardholder's liability for unauthorized use of a credit card are also covered.

Fair Credit Billing Act. Became effective October 26, 1975, as an amendment to the Truth in Lending Act. It is enforced by the FTC.

The Act applies only to "open end" credit plans. For purposes of the Act, "open end" credit

covers all consumer credit extended by use of a credit card, as well as most other types of revolving credit, including department store charge accounts and line of credit plans such as overdraft checking. The Act does not apply to installment loans or purchases (such as cars or homes) which must be paid according to a set schedule of installments.

The Act, in addition, sets up a billing dispute settlement procedure which allows the consumer to question what he believes are billing errors on periodic statements. The creditor must acknowledge within a specified time frame the consumer's inquiry and promptly correct errors or explain why the creditor believes the statement is correct. The Act establishes a dispute procedure and insures that consumers are made aware of it as well.

Equal Credit Opportunity Act—Regulation B. Became effective October 28, 1975 as an amendment to the Truth in Lending Act. It is enforced by the FTC and provides that a creditor may not discriminate on the basis of race, color, religion, national origin, sex, marital status or age.

Other provisions in the Act:

- Credit scoring on the basis of marital status is prohibited.
- Reasons for denying credit must be furnished to the applicant for credit.
- Limitations permitted the creditor concerning "family" or "joint" accounts.
- Alimony and child-support payments must be considered when assessing an applicant's creditworthiness.
- Creditors are not permitted to inquire whether an applicant intends to have children.
- Creditors are not permitted to discount any part of a person's income because of sex or marital status.
- Accounts used by both a husband and wife must be maintained in both their names.

2. Fraud and Deception

Mailing of Unordered Merchandise — For purposes of the prohibition against the mailing of "unordered merchandise," that term is defined as merchandise mailed without the prior expressed request or consent of the recipient.

Except for free samples (clearly and conspicuously marked as such) and merchandise mailed by a charitable organization soliciting contributions, the mailing of unordered merchandise constitutes an unfair method of competition and an unfair trade practice in violation of the FTC Act.

Any merchandise mailed in such a violative manner may be treated as a gift by the recipient, who shall have the right to retain, use, discard or dispose of it in any manner he sees fit without any obligation whatsoever to the sender. Accordingly, all such merchandise shall have attached to it a clear and conspicuous statement informing the recipient of those rights.

It is a separate violation for a mailer of unordered merchandise to mail to any recipient of such merchandise a bill for such merchandise or any dunning communications.

Deceptive Pricing — The FTC guides, presently in effect, provide marketers with information on how to advertise "sale" prices to their customers and remain within the law. Lengthy discussion is provided in the areas of former price comparisons, retail price comparisons, comparable value comparisons, advertising retail prices which have been suggested by manufacturers, bargain offers based upon the purchase of other merchandise, and miscellaneous price comparisons.

The above guides were made effective in January 1964. The FTC has recently proposed guides against deceptive pricing, which represent the Commission's enforcement policies with respect to comparative price advertising. These proposed guides, when finally promulgated, are expected to supersede the 1964 guides on deceptive pricing. A call to the Washington DMMA office will advise you of the most recent FTC policies in this area.

New Or Rebuilt — The FTC issued a policy statement, January 4, 1969, concerning merchandise that has been used by purchasers on a trial basis, returned to the seller, "refurbished" and then resold as new. Usually, no disclosure of previous use is made to the ultimate purchaser.

The FTC stated that the consuming public has a preference for new or unused products compared to those that have been previously used. Qualitative equivalence does not change the fact that substitution of a used product for a new one without disclosing such fact is unlawful. Clear and conspicuous disclosure of prior use must be made in all the marketer's advertising, sales promotional literature and invoices concerning the product, on the container in which the products are packed and, if the product has been refurbished or otherwise has the appearance of being new, on the product with sufficient permanency. The FTC suggested that the marketers of products maintain adequate inventory control records to enable them to demonstrate that returned merchandise applies only to merchandise that has been used, and not to merchandise that has merely been inspected but not used.

Subject to varying circumstances, a tentative

outer limit of six months has been established for designating a product as new.

"New" after period of time. — The time period during which a particular product may be called "new" will depend upon circumstances and is not subject to precise limitations. Considering the absence of precedent, the Commission thought it preferable to establish a tentative outer limit for use of the claim "new," namely, six months. The general rule would apply, unless exceptional circumstances warranting a period of time either shorter or longer than six months were shown to exist. *Advisory Opinion No. 120.*

After reconsidering its tentative six month limit on the permissible period of time during which a product may be called "new" the Commission stated that the rule had not been in effect long enough to determine whether a change would be required but added that a marketing program which lasts for more than six months and covers less than 15% of the population would not disqualify an eventually widely marketed product from being called "new." *Advisory Opinion No. 146.*

It was deceptive to market as "new" ten-year-old equipment even though the equipment had never been used and was still in the original shipping cartons. The company was not the original manufacturer and had recently been licensed to manufacture similar equipment. *Advisory Opinion No. 325.*

Reference books should not have been described as new when they were composed in substantial part of material reprinted from another, or as up-to-date when based on statistics over 15 years old and when terminal dates for histories go back approximately ten years. The FTC said in its opinion:

"That use of the term 'new' or 'completely new' to designate a reference publication composed in substantial part of material reprinted from another being contemporaneously marketed under another title has the capacity and tendency to deceive is therefore obvious, and requires no further comment. On the other hand, the order contained in the initial decision appropriately recognizes the respondents' right to make truthful and nondeceptive statements in the future respecting newness in the manner of presenting constituent information.

"Whereas the book has a 1957 copyright and introductory material identifies it as complete in scope and up-to-date in statistics and population figures, it appears from their testimony that the census data used in many instances were those for the year 1940. Also, the terminal dates for certain of the politicai and economic histories on foreign countries go back to the late 1940's and early 1950's."

"New" to marketing area. — In advertising "newness" the implication is that the product is new, i.e., "recently invented, discovered or developed," not that it is new to the marketing area. Therefore, an examiner's order providing that if a product is new in a marketing area but not known in another a company may advertise the product as "new" in the area in which it is not yet known for a period of one year was incorrect.

Rebuilt: An article to be advertised as *rebuilt* must be rebuilt in a factory engaged in such rebuilding or the original manufacturer's factory. Missing or worn parts must be replaced with new, not reprocessed parts.

"Free"—Effective December 16, 1971 — It is presumed that, except in the case of introductory offers in connection with the sale of a product or service, an offer of "Free" merchandise or service is based upon a regular price for the merchandise or service which must be purchased by consumers in order to avail themselves of that which is represented to be "Free." In other words, when the purchaser is told that an article is "Free," if another article is purchased, the word "Free" indicates that he is paying nothing for that article and no more than the regular price for the other.

The term "regular" when used with the term "price" means the price, under the same conditions of sale, at which the seller or advertiser recently sold the product in the same trade area in which he is making a "Free" offer. Except in the case of introductory offers, if no substantial sales were made at the "regular" price, a "Free" or similar offer would not be proper.

When making "Free" or similar offers all the terms, conditions and obligations upon which receipt and retention of the "Free" item are contingent should be set forth clearly and conspicuously at the outset of the offer. All of the terms, conditions and obligations should appear in close conjunction with the offer of "Free" merchandise or service. For example, disclosure of the terms of the offer set forth in a footnote of an advertisement to which reference is made by an asterisk or other symbol placed next to the offer is not regarded as making a disclosure at the outset. However, mere notice of the existence of a "Free" offer on the main display panel of a label or package is not precluded provided that:

1. The notice does not constitute an offer or identify the item being offered "Free";
2. The notice informs the customer of the location, elsewhere on the package or label, where the required disclosure may be found;

3. No purchase or other such material affirmative act is required in order to discover the terms and conditions of the offer; and
4. The notice and the offer are not otherwise deceptive.

A supplier may not perpetuate a "Free" offer that he knows is not being passed on by a reseller, or otherwise is being used by a reseller as an instrument for deception.

No "Free" offer should be made in connection with the introduction of a new product or service offered for sale at a specified price unless the offeror expects, in good faith, to discontinue the offer after a limited time and to commence selling the product of service promoted, separately, at the same price at which it was promoted with the "Free" offer.

A single size of a product or a single kind of service should not be advertised with a "Free" offer in a trade area for more than six months in any 12-month period. At least 30 days should elapse before another such offer is promoted in the same trade area. No more than three such offers should be made in the same area in any 12-month period, and sales should not exceed 50 percent of the total volume of sales of the product, in the same size, in the area.

Similar terms such as "gift," "given without charge," "bonus," "buy one get one free," "two for one," "50 percent off with purchase of two," "1¢ sale," "half-price" and "half off" are all covered by the rule.

3. Sweepstakes

Although the FTC has not issued a rule or advisory opinion on sweepstakes, it does take an ongoing interest in their conduct, as does the USPS.

Practioners must be aware that the Postal Service's regulations prohibit lotteries by mail and that a sweepstakes is legally considered a lottery, if it contains all three elements used to define a lottery: chance, consideration and prize.

Many of the 50 states have laws concerned with sweepstakes. These range from outright prohibition of a sweepstakes mailing being sent to the state's citizenry to the issuing company having to post a bond to guarantee that the prize money or money to purchase prizes does, in fact, exist. Other state laws prohibit a sweepstakes winner from receiving his prize through the mail—he must, instead, receive it physically.

Because of the complexity of state regulations governing sweepstakes, all companies considering their usage would be well advised to consult their own attorneys and a competent company specializing in sweepstakes.

As an assistance to its members, DMA has drawn up a set of guidelines for their conduct which are reprinted below:

DMA Guidelines for Self Regulation of Sweepstakes Promotions

As any advertisement must first attract attention, the sole function of sweepstakes is to sufficiently capture the prospective customer's interest so he will read the rest of the promotion which offers a product or service.

However, since the sweepstakes component accompanies the product advertising portion of the promotion, it must enhance, not impair, consumer good will. The fact that one is being offered something for nothing does not necessarily preclude that the manner in which it is done may leave him with a feeling of distaste suggesting there is something improper or unfair about it.

The following guides have been prepared as an aid to those who design, operate or use sweepstakes promotions, and no implication is intended that failure to observe them would, in any way, be a legal violation. Their concern is simply with public satisfaction and good will.

Definition — A sweepstakes, as used here, means any advertising or promotional device by which items of value (prizes) are awarded to members of the public by chance and without consideraton.

Clear and Conspicuous Disclosure of Rules — It is essential, if members of the public are to feel that they have been dealt with fairly, that the rules of the sweepstakes and all conditions and terms which will govern the award of its prizes, be stated thoroughly and understandably to them. This should be done at the time they are invited to take the first step necessary toward receiving an award. In that way they will be spared undertaking any effort if they don't like the rules of the game.

It is not feasible to derive a definite and precise formula for describing the term "clear and conspicuous." In principle, however, terminology should be simple, non-technical and unambiguous. Typography—in size, style, and location—should be such that one cannot view the promotion piece for more than a few seconds without seeing that the rules and conditions are there to be read, if he chooses to do so, and that such reading can be done easily. If the designer of the promotional materials starts from the premise that it is important and to his advantage to have the reader wholly understand the rules from the outset, and if he is willing to resolve all doubts as to graphics to achieve that result, he will know how to do it.

Elements common to sweepstakes that should be disclosed, in addition to any others which may be peculiar to a particular promotion, are:

1. That no purchase of the advertised product or service is required in order to win a price.
2. Any boxes or other devices used for registering the participant's election to purchase or not to purchase the promoted product or service; those for the negative should be equally conspicuous with those for the affirmative.
3. The nature of the prizes in each prize category.
   — Awards given to persons by virtue of their having entered a sweepstakes, and not as part of the same process and procedure by which major prize-winners are selected, shall not be represented as prizes, either directly (i.e., by name or other characterization) or by implication (e.g., as by assigning matching numbers to them or by referring to them as items to be won rather than given).
   — No award shall be described as a prize unless it has an approximate retail value of at least $1.00.
   — No award, whether a prize or a gift, shall be held forth directly or by implication as having substantial monetary value if it is of only nominal intrinsic worth.
4. The total number of prizes in each category.
5. The approximate odds of winning a prize if such odds can be reliably calculated prior to the beginning of the sweepstakes.
6. The geographic area covered by the sweepstakes.
7. The termination date for eligibility in the sweepstakes, and whether this is a date of mailing or receipt of the entry.
8. Any other conditions under which a participant would not be given an award to which he would otherwise be entitled.
9. The identity and address of a specific addressee to whom inquiries concerning the sweepstakes may be directed.
10. That the sponsor reserves the right to take all steps reasonably calculated to verify that winners are, in fact, qualified and entitled to receive their awards.

Selection of Winners

Winners should be selected in a manner that ensures fair application of the laws of chance according to the published rules and conditions of the particular sweepstakes.

Prizes

All prizes described in the promotional material, or resources sufficient to assure their award, should be set aside prior to the beginning of the sweepstakes and be kept segregated until utilized for the awards.

All such prizes shall be awarded as part of the sweepstakes.

Record Keeping and Disclosure

For a period of three years after the published termination date for entries in the sweepstakes records shall be kept of:

- the approximate number of entries distributed;
- the total number of prizes advertised in each category;
- the approximate number of participants;
- the name and address of each winner of a prize having an approximate retail value in excess of $10, together with a description and the approximate retail value of the prize to each;
- the method by which winners were determined.

Properly authorized governmental representatives shall have access, on a confidential basis, to anything contained in these records.

Members of the public who submit a request, accompanied by a self-addressed stamped envelope, should be provided a complete list of winners whose prizes have an approximate retail value of $25 or more and where the promotional literature clearly and conspicuously states that the names of winners will be made public, on request. Where the promotional literature does not so state, the list should also be provided, on request, except that it should omit the names of those winners who, within a reasonable time after being notified that they have won, request that their names not be made public.

4. Mail Order Insurance Industry Guidelines — Effective July 14, 1964. The Federal Trade Commission has promulgated guides to be followed when using advertising and promotion materials in connection with the solicitation of the original purchase, renewal or reinstatement of an insurance policy. The guides are applicable regardless of the medium used by the advertiser.

The general areas covered by the guidelines include:

- Deception
- Advertisement of benefits, losses covered or premiums payable
- Health of the applicant or insured

- Disclosure of policy provisions relating to renewability, cancellability or termination
- Testimonials, appraisals or analyses
- Deceptive use of statistics
- Identification of plan or number of policies
- Deception as to introductory, initial or special offers
- Misrepresentation as to licensing, approval or endorsement of insurer, policy or advertisement
- Deception as to "group" or "quasi-group" policies
- Allocation of benefits under a "family group" policy
- Deceptive use of trade names, service marks, etc.
- Disparagement
- Misrepresentation concerning the insurer

5. Delayed Delivery of Mail Order Merchandise (30-Day Rule)

Violation of this FTC rule, which went into effect on February 2, 1976, is an unfair method of competition and a deceptive practice.

Does not apply to: subscriptions after the first issue; services connected with the sale of merchandise, seeds and plants; C.O.D. orders; negative option plans or credit transactions where the seller does not charge the buyer's account prior to shipment; and photoprocessing.

The Rule:

Unless there is a reasonable basis to believe goods will be shipped within 30 days of receiving a properly completed order, an advertisement must include a clear and conspicuous notice of the time in which the seller expects to make shipment. If no statement is made, the rule implies shipment will be made within 30 days.

The rule provides procedures for buyers to be able to cancel for delayed delivery and get a refund.

When to include a statement of expected shipment date in your ads?

Unless there is a reasonable basis (e.g., past experience) to believe that shipment can be made within 30 days, direct marketers must clearly and conspicuously state a time in which they expect to make shipment. A statement such as "Please allow eight weeks for delivery" is an example of a proper notice of expected shipment. The rule does not permit the seller to state, "Shipment will be made as soon as possible."

When does the 30-day period start?

Upon receipt of a properly completed order. With any sale, the 30 days start when an order is received containing all the information needed to process and ship the order.

Cash sales when the seller gets full or partial payment with an order.

Credit sales when the seller charges the buyer's account (not defined by the rule).

Notice of Delayed Shipment

If shipment cannot be made within the implied 30-day period, or the stated period, a notice of revised expected shipment date *must* be sent to the buyer:

- By first class mail before expiration of the original 30-day period
- With a postage-paid reply form for the buyer
- Notifying him of the revised shipping date and offer the option of consenting to the delay or of cancellation and a refund
- Informing him that unless the seller receives—prior to shipment and expiration of the revised date—a response rejecting the delay, the buyer will be deemed to have consented to the delayed shipment

Delay of 30 Days or Less

No reply by the buyer means acceptance of the new delivery date.

Delay of More than 30 Days

No reply within the 30-day period must be treated as a request for cancellation and refund. If the revised shipping date cannot be met, a second notice must be sent offering the buyer the same options. With the second notice, no reply within 30 days requires a cancellation and refund (unless shipment has been made).

Refund

Cash sale: sent within seven working days of receipt of a request for cancellation or the date of implied cancellation, by first class mail. It must be with a check, cash or money order and cannot be a credit slip on other merchandise.

Credit sale: removal of the charge on the buyer's account must be within one billing cycle from receipt of the request for cancellation or the date of implied cancellation.

Systems of Compliance

The rule requires records, or other documentary proof, establishing that systems and procedures assure shipment in the ordinary course of business in the time period advertised; or, if none is stated, within the implied 30-day period.

Lack of documentary proof of an established system, raises a rebuttable presumption; namely that the seller lacked a reasonable basis for any

expectation of making shipment within the implied or stated time.

Answers To Most Commonly Asked Questions About The "Mail Order Merchandise" Rule

Why did the Federal Trade Commission promulgate this regulation?

The Commission felt that the quantity of complaints they had on hand, in addition to reports they were receiving from various consumer affairs offices in states around the country, indicated there was a widespread failure of consumers to receive merchandise, to receive merchandise in the time they expected to receive it or to get answers to inquiries about where that merchandise was or how long the delay would last. In fact, a good number of complaints dealt with non-delivery rather than with delayed delivery, and thus involved companies that were out of business, illegitimate, etc. The same was true regarding requests for refunds.

The rule only covers solicitations I make by mail, right?

WRONG! Test is for merchandise to be ordered by the buyer through the mails. Solicitations by space advertising, radio, television, catalogs, telephone, etc., that are asking for mail order purchases are also included within the rule.

What does the rule require me to do in my solicitation?

You must indicate when you expect to be able to ship the order and you must have a reasonable basis to make that representation. If you do not indicate a time period, it is assumed you are promising to ship within 30 days of receipt of a properly completed order. When you don't state a time you also have to have reasonable basis to believe 30 days will be the shipment time.

How can I announce expected shipping time in a catalog where the delivery time may vary greatly depending on the item? Do I have to put an expected delivery time to each item?

You will be interested to know that the FTC doesn't consider this to be a major problem. They suggest that in most catalogs the great majority of items will be delivered in a time frame that could be on the order form. Those items that take longer should be referenced in some way and the delivery time also indicated in a conspicuous place.

Does the rule apply as soon as the order is received?

Yes, but remember the rule doesn't just say "order." It says receipt of a *properly completed order* from the buyer. The rule indicates that a properly completed order takes place when the seller charges the buyer' account or receives full or partial payment with an order containing all the information the seller needs to process or ship the order. Thus, you would not be responsible for orders that are illegible, have an incomplete name or address, or in some other major way are incomplete. It is wise to retain those incomplete orders so you are able to demonstrate to the Commission how often such an occurrence takes place, and to protect yourself if a consumer who sent in an incomplete order then proceeded to complain to the FTC. It is also ill-advised to cash checks received in such orders.

What happens when a check or money order remitted by the buyer is dishonored or in some other way doesn't qualify for a credit sale?

This would not be a properly completed order until the time at which: (1) the seller receives notice that a check or money order for the proper amount tendered by the buyer has been honored, (2) the buyer tenders cash in the proper amount or the seller receives notice that the buyer does qualify for a credit sale.

Are magazines covered by the regulation?

The first issue of a magazine is covered by the regulation but the rule does not apply to subsequent deliveries since the FTC could find no basis for a problem in this area. Problems were with the commencement of magazine subscriptions.

Are premium offers covered by the rule?

Yes. The FTC refused to accept arguments that the item involved is often valued at less than $10 and that notification of a delay requirement would almost destroy the premium advertising business. They indicate that 43% of the items for which they had complaints sold for less than $10.

What about specialty items?

Specialty items such as calendars, pens, ashtrays, etc.—and usually not sold to the general public—are still covered by the rule.

What about sales between businesses?

The FTC contends that the record demonstrates that businessmen have encountered the same problems as the general public when dealing with mail order and that "there is no

compelling reason to treat them differently from other members of the consuming public."

Does the rule apply to customized or made-to-order merchandise?

They too must comply with the regulation.

Are services connected with merchandise covered by the rule?

No, they are not. However, the Commision has indicated that businessmen should not regard the fact that services are not covered to be interpreted as a finding "by the Commission that mail order services connected with a merchandise are not subject to abuses which constitute violations of the Federal Trade Commission Act or as a statement that the Commission will not address any such abuses in the future."

What other types of merchandise or orders are not covered?

The regulation does not apply to orders of seeds and growing plants, C.O.D. orders or transactions that are already governed by the Federal Trade Commission's Trade Regulation Rule entitled, "Use of Negative Option Plans By Sellers in Commerce." In addition, the mail order photofinishing industry is exempt.

Are credit transactions covered?

Yes, in those cases in which the seller has charged the buyer's account prior to shipment. There is disagreement if this means that those who do not bill a customer until they ship the merchandise are covered by the regulation. Current indications are that they are not covered by the regulation.

What must I say in my solicitation?

You must indicate the time in which you can have a reasonable basis to expect to make shipment. If you don't make such an indication, the assumption will be that you have promised shipment within 30 days. The time stated must be clear and *conspicuous*. If you don't indicate a time you must have a reasonable basis to believe you can make delivery in 30 days.

What does reasonable basis mean? How do I establish I had a reasonable basis?

You draw on past experience from your fulfillment operation and operation schedules, among other possibilities. You may rely on records to indicate your expectation was indeed a reasonable one.

What does the Federal Trade Commission mean by "clear and conspicuous"?

The rule does not indicate. Good judgment is necessary to avoid violating the spirit of the regulation.

When I realize I am not going to be able to ship the merchandise within 30 days, or the length of time I indicated in my solicitation, when must I send the customer the delay notice?

The notice—giving the buyer the option to consent to the delay or cancel the order and receive his refund—must be made within a reasonable time after you realize you are unable to meet the commitment but not later than the time set forth in your solicitation, or 30 days if no time is stated.

What is required of me in my delay notice?

You should use a business reply device. You must have a reasonable basis for the revised shipping date you give. If you don't have a reasonable basis for making any representation regarding a definite revised shipping date, you must inform the buyer of the reasons for the delay.

You said you should use a business reply postage paid device. Is a postage prepaid device or business reply mail the only way to get permission of a delay or give the buyer the option to cancel?

Not really. Even though the rule establishes a rebuttable presumption that failure to provide the buyer with a business reply mail or postage prepaid device implies the company has failed to provide adequate means to notify or cancel. However, The Commission has indicated this is their way of providing guidance. It does not prohibit sellers from providing other means which are of *equal or superior efficacy* to the method prescribed by the rule.

Once I determine I will be unable to deliver on time, must I proceed with the option cards, etc., or can I just cancel the order?

No. The rule does not deny you the right to cancel a buyer's order and refund his money rather than go through the option procedures, but state laws may and your legal counsel should check.

When my first delay notice is sent out, what happens when I don't hear back from the customer?

When the delay notice contains a revised delivery date not more than 30 days from the original time you promised, failure to hear from the customer means he has consented to the delay.

What if I was unable to give him a definite re-

vised shipping date, or I gave him a date more than 30 days in my option card?

Failure to hear from the customer still allows you 30 extra days from the time you originally promised in your solicitation. After those 30 extra days you must then deem the order cancelled, and refund the money, if you have not received express consent or not been able to ship.

Can I ask the buyer to consent to an indefinite delay?

Yes. However, the rule gives him a continuing right to cancel the order *at any time* prior to the point you actually have made shipment, as long as it is after any date to which he previously agreed.

Can I go back to the customer again and ask for a further delay if my second revised shipping date also ends up being wrong?

Yes you can. In "multiple delay" situations, the seller cannot construe silence of the buyer as consent to further delay.

When a refund to the buyer is necessary, what exactly is the definition of a refund? Would a credit voucher suffice?

No. If the buyer has sent full payment in the form of cash, check or money order, the money must be returned in that form. If it was a credit sale, and the seller is the creditor, a copy of a credit memorandum or an account statement which reflects the removal or absence of any remaining charge is necessary. If a third party is the creditor, the seller must send a credit memorandum or similar document to the third party creditor, to remove the charge, with a copy to the customer. Another method would be to have a statement from the seller acknowledging the cancellation of the order and relating that "no action" will be taken regarding the order which would result in a charge to the buyer's account with the third party.

What does the term "prompt refund" mean?

It depends. If the seller is making a refund in cash, check or money order, it must be sent to the buyer by first class mail within seven working days of the date on which the buyer's right to the refund began. In the case of a refund, when the purchase was made by credit and the seller is the creditor or there is a third party creditor, the refund must be sent to the buyer by first class mail within one billing cycle from the date on which the buyer's right to the refund began.

What do I do in states that have their own delayed delivery rule which is not consistent with the FTC rule?

The rule does not diminish any rights or remedies provided to consumers by any state law, municipal ordinance, or other local regulation insofar as those rights or remedies are equal to or greater than those provided by the FTC rule.

6. Dry-Testing

Another area of FTC concern is the practice of *dry testing*. Dry-testing is a term used in the trade to describe the practice in which the marketer disseminates promotional material by mail to members of the general public offering a product which the marketer has not yet manufactured or obtained. Whether the product is actually sold will depend on the size of the response to the solicitation.

On March 27, 1975, the FTC issued an advisory opinion on this subject. It allows dry-testing under very *strict guidelines* insuring that the potential customer is in no way misled about the terms of the offer.

Although a number of years have passed since the issuance of this opinion, the FTC has neither recalled it nor issued another in its place. Therefore, it is reprinted below in its entirety.

The Federal Trade Commission has answered a request for an advisory opinion from Wentworth Press, Inc., 231 East 51 St., New York City, regarding the propriety of "dry-testing" and "bulk-loading" a continuity book series by mail order. The Commission vote was unanimous.

The test of the Commission's letter of advice follows. The material submitted by the requesting party is available for public inspection at the FTC's Division of Legal and Public Records, Washington, D.C. 20580.

March 27, 1975

Ms. Jacqueline Hunter
Vice President
Wentworth Press, Inc.
231 East 51 Street
New York, New York 10022

Re: Mail Order Continuity Book Series

Dear Ms. Hunter:

This is in response to the request submitted by Wentworth Press for an advisory opinion concerning the propriety under the Federal Trade Commission Act of "dry-testing" and "bulk-loading" a continuity book series by mail order.

It is the Commission's understanding that Wentworth is an editorial packaging house that prepares the layout and performs other editorial services for publishers who market continuity book series by mail order. Wentworth assists in the preparation of the promotional material for a continuity book series and the book series itself. A continuity book series is a set of multiple volumes, related by subject matter, sent at period intervals to subscribers. Generally, each book is sent on approval, and may be returned by the subscriber. A bill accompanies each book.

Wentworth is considering entering into contracts with marketers which would involve the use of dry-testing various continuity book series. As defined by the requester, dry-testing is a practice in which the marketer disseminates promotional material by mail to members of the general public soliciting subscriptions to a continuity book series, before the books have been published. Whether or not the book series is actually published depends upon the size of the response to the solicitation. Wentworth's first question is whether such dry-testing of a book series is permissible under the Federal Trade Commission Act and rules and regulations promulgated thereunder.

Wentworth's second question involves the legitimacy of "load-ups" through the mail. Under the proposed plan, the marketer would initially send a single volume of the continuity book series to subscribers each month. Each volume would, in effect, be received on an approval basis; subscribers could review each volume individually, and decide whether to accept or reject it. Subscribers would be billed each month for each volume accepted. In a "load up," the subscriber is notified by the marketer, during the course of the series, that the remaining volumes are available and will be sent at one time in a bulk shipment, if the customer so desires. A customer accepting the bulk shipment would continue receiving monthly bills for individual volumes.

On basis of its understanding, the Commission does not object to the use of dry-testing a continuity book series marketed by mail order as long as the following conditions are observed:

(1) No representation, express or implied, is made in advertisement, brochures, or other promotional material, which has the tendency or capacity to mislead the public into believing that the books have been or will definitely be published, or that by expressing an interst in receiving the books a prospective purchaser will necessarily receive them.

(2) In all solicitations for subscriptions and other promotional material, clear and conspicuous disclosure is made of the terms and conditions of the publication, distribution, and other material aspects of the continuity book series program. Such disclosures must provide adequate notice of the conditional nature of publication of the book series, i.e., the fact that the book series is only planned and may not actually be published.

(3) If the decision is reached not to publish the book series, due notice is given to persons who have subscribed, within a reasonable time after the date of first mailing the solicitations for subscriptions. The Commission considers four months or less to be a reasonable time, unless extenuating circumstances exist. If the decision on whether or not to publish the book series has not been made within that time period, persons who expressed a desire to subscribe should be notified of the fact that a decision has not yet been reached, and should be given an opportunity to cancel their orders.

(4) There is no substitution of any books for those ordered.

This opinion is not intended to affect the application of any state law which places stricter requirements upon mail order marketers or affords greater protection to consumers.

As to the question regarding the legitimacy of sending the remaining volumes of a continuity book series in a bulk shipment to a subscriber after several volumes have been shipped and billed for singly, upon notice and an opportunity to reject the proposed bulk shipment before it is made, the Commission refers your attention to two recent consent orders: Cadence Industries Corp., C-2608 (March 25, 1974), and Crowell Collier and Macmillan, Inc., C-2394 (May 1, 1973). In these consent orders, the respondents agreed, among other things, to make no representations in promotional material that a participant in a continuity book program has the option of receiving each publication individually, at prescribed intervals and accepting or rejecting it, unless such is the case. These consent orders also require a clear and conspicuous disclosure be made in any advertisement promoting the book program of the conditions and terms of the program and the duties and obligations of any subscriber.

By the direction of the Commission.

Charles A.Tobin
Secretary

7. Negative Option Rule —
Effective June 7, 1974. The FTC originally proposed to ban entirely the negative option mode of selling. Some Commission members thought it an unfair practice to take commercial advantage of human tendencies towards procrastination and guilt for not returning the no-merchandise card.

In response to the proposal to ban negative option selling, DMA, together with its members, worked up an alternative proposal and the FTC adopted this alternate rule, June 7, 1974, with some changes, which gave us the rule as it is today.

Mandatory disclosures and practices

a. All promotional material must clearly and conspicuously state the material terms of the plan, including:

- Method of rejecting offers
- Any minimum quantity of merchandise subscriber is obligated to buy
- Right of a contract-complete subscriber to cancel
- Whether billing charges include postage and handling
- Notice that subscriber will have at least ten days to mail any form
- If subscriber had less than 10 days, account will be credited for returned merchandise and postage guaranteed
- Frequency of announcements and forms, setting forth maximum in 12 months

b. Seller must mail announcement identifying selection, and form and procedure by which subscriber instructs seller of choice to reject. Subscriber must have at least ten days in which to mail his form.
c. Seller must give full credit and guarantee postage of items timely returned by subscriber, and must notify subscriber of his entitlement to such credit and postage.
d. Introductory and bonus merchandise must be shipped within 4 weeks of receipt of order. If impossible, seller must comply with subscriber's request for cancellation of membership.
e. Seller must promptly terminate membership of a contract-complete subscriber upon his request to do so.
f. Seller may not, without subscriber's express consent, substitute merchandise for that ordered by subscriber.

State Regulations

Each state has the right to legislate and enforce its own legislation with regard to negative option selling. The alternate proposal put forth by DMA and its members recommended making the FTC rule preemptive of state regulation, but that aspect of the proposal was not adopted.

8. Deceptive Advertising of Guarantees—Effective April 26, 1960

Determining violations.

In determining whether terminology and direct or implied representations concerning guarantees, however made, i.e., in advertising or otherwise, in connection with the sale or offering for sale of a product, may be in violation of the Federal Trade Commission Act, the following general principles will be used:

Guarantees in general.

In general, any guarantee in advertising shall clearly and conspicuously disclose—

(a) The nature and extent of the guarantee. This includes disclosure of—

(1) What product or part of the product is guaranteed.

(2) What characteristics or properties of the designated product or parts thereof are covered by, or excluded from, the guarantee.

(3) What is the duration of the guarantee.

(4) What, if anything, any one claiming under the guarantee must do before the guarantor will fulfill his obligation under the guarantee, such as return of the product and payment of service or labor charges: and

(b) The manner in which the guarantor will perform.

This consists primarily of a statement of exactly what the guarantor undertaker to do under the guarantee. Examples of this would be repair, replacement, refund. If the guarantor or the person receiving the guarantee has an option as to what may satisfy the guarantee this should be set out; and

(c) The identity of the guarantor.

The identity of the guarantor should be clearly revealed in all advertising, as well as in any documents evidencing the guarantee. Confusion of purchasers often occurs when it is not clear whether the manufacturer or the retailer is the guarantor.

Prorata adjustment of guarantees.

(a) Many guarantees are adjusted by the guarantor on a prorata basis. The advertising of these guarantees should clearly disclose this fact, the basis on which they will be prorated, e.g., the time for which the guaranteed product has been used, and the manner in which the guarantor will perform.

(b) If these guarantees are to be adjusted on

the basis of a price other than that paid by the purchaser, this price should be clearly and conspicuously disclosed.

Example: "A" sells a tire with list price of $48 to "B" for $24, with a 12 months guarantee. After 6 months use the tire proves defective. If "A" adjusts on the basis of the price "B" paid, $24, "B" will only have to pay one-half of $24, or $12, for a new tire. If "A" instead adjusts on the basis of list price, "B" will owe one-half of $48, or $24, for a new tire. The guarantor would be required to disclose here the following: That this was a 12 months guarantee, that a list price of $48 would be used in the adjustment, that there would be an adjustment on the basis of the time that the tire was used, and that he would not pay the adjusted amount in cash, but would make an adjustment on a new tire.

NOTE: Guarantees which provide for an adjustment based on a fictitious list price should not be used even where adequate disclosure of the price used is made.

"Satisfaction or Your Money Back" representations.

(a) "Satisfaction or Your Money Back", "10 Day Free Trial", or similar representations will be construed as a guarantee that the full purchase price will be refunded at the option of the purchaser.

Example: A rose bush is advertised under the representation, "Satisfaction or Your Money Back." The guarantor requires return of the product within 1 year of purchase date before he will make refund. These limitations, i.e., "return" and "time" shall be clearly and conspicuously disclosed in the ad.

Lifetime guarantees.

If the words "Life", "Lifetime", or the like, are used in advertising to show the duration of a guarantee, and they relate to any life other than that of the purchaser or original user, the life referred to shall be clearly and conspicuously disclosed.

Example: "A" advertised that his carburetor was guaranteed for life, whereas his guarantee ran for the life of the car in which the carburetor was originally installed. The advertisement is ambiguous and deceptive and should be modified to disclose the "life" referred to.

Savings guarantees.

(a) Advertisements frequently contain representations of guarantees that assure prospective purchasers that savings may be realized in the purchase of the advertiser's products.

(b) Some typical advertisements of this type are "Guaranteed to save you 50%," "Guaranteed never to be undersold," "Guaranteed lowest price in town."

(c) These advertisements should include a clear and conspicuous disclosure of what the guarantor will do if the savings are not realized, together with any time or other limitations that he may impose.

Example: "Guaranteed lowest price in town" might be accompanied by the following disclosure:

"If within 30 days from the date that you buy a sewing machine from me, you purchase the identical machine in town for less and present a receipt therefor to me, I will refund your money."

Guarantees under which the guarantor does not or cannot perform.

(a) A seller or manufacturer should not advertise or represent that a product is guaranteed when he cannot or does not promptly and scrupulously fulfill his obligations under the guarantee.

(b) A specific example of refusal to perform obligations under the guarantee is use of "Satisfaction or your money back" when the guarantor cannot or does not intend promptly to make full refund upon request.

Guarantee as a misrepresentation.

Guarantees are often employed in such a manner as to constitute representations of material facts. If such is the case, the guarantor not only undertakes to perform under the terms of the guarantee, but also assumes responsibility under the law for the truth of the representations made.

Example 1: "Guaranteed for 36 months" applied to a battery is a representation that the battery can normally be expected to last for 36 months and should not be used in connection with a battery which can normally be expected to last for only 18 months.

Example 2: "Guaranteed to grow hair or money back" is a representation that the product will grow hair and should not be used when in fact such product is incapable of growing hair.

Example 3: "Guaranteed lowest prices in town" is a representation that the advertiser's prices are lower than the prices charged by all others for the same products in the same town and should not be used when such is not the fact.

Example 4: "We guarantee you will earn $500 a month" is a representation that prospective employees will earn a minimum of $500 each month and should not be used unless such is the fact.

These guides remain in effect until rules under the Magnuson-Moss Warranty Act are promulgated by the FTC, and thereafter to the extent not superseded by the new rules.

9. Warranties

The FTC is the federal agency empowered by *The Magnuson-Moss Warranty Act* (Effective July 4, 1975) to issue rules, regulations, statements and interpretations of the Act. By the close of 1978, the Commission had already issued three rules:

- Part 701—Disclosure of Written Consumer Product Warranty Terms and Conditions—Effective December 31, 1976.
- Part 702—Pre-Sale Availability of Written Warranty Terms—Effective December 31, 1976.
- Part 703—Informal Dispute Settlement Mechanisms—Effective July 4, 1976.

The Warranty Act, and FTC's rules, apply only to *written* warranties covering consumer products. Whenever a product is sold with a written warranty that promises a product is defect-free, or will meet a certain level of performance for a specific time period, or that the warrantor will take a specified action if a product fails to live up to the warrantor's promises about it, the warranty is governed by the Act.

No one is required to give a written warranty. Minimum duration for a warranty is not required.

If the mail order seller and the retailer offer written warranties, the FTC rules require that they be made available to the consumer prior to the sale. Many of the restrictions imposed by the rules apply only to the manufacturer. If, however, the ultimate seller (whether an over-the-counter retailer or mail order seller) adds its parts and labor warranty on a product (such as a TV set) to the manufacturer's warranty, both must comply with the rules.

The rules cover in detail such subjects as:

- Depending upon product's price, there are varying degrees of responsibility; $5 is the minimum price covered.
- The guarantor must specify whether the warranty is "Full" or "Limited" for all products costing $10 or more to the consumer. Each of these designations has its own requirements.
- A written warranty may *not* require the consumer to use a branded or trademarked product or service. Statements such as "the product must be serviced by an authorized _____ dealer" are prohibited.
- The written warranty must state, in clear and unmistakable language, the duration of the warranty and must be printed prominently on its face.
- Exclusions or limitations must also be printed on the face of the warranty clearly. In many states exclusions or limitations are either restricted or prohibited. Care must be taken to comply with such state regulations.
- Mail order sales encompass both radio and television advertisements which include instructions for ordering a product by mail or telephone. Therefore, it is necessary to provide information in these advertisements on where the warranty may be obtained.
- Catalogs or mail order solicitations must disclose for each warranted product either the full text or a notice where the warranty may be obtained upon written request. This information must be located on the same page or the facing page or in a clearly referenced information section of the catalog.
- Rule 703 describes, in detail, the mechanisms required to settle disputes. It covers such items as seals of approval, owner registration cards, record-keeping, individual dispute records, statistical reporting requirements, annual audit—its nature and distribution, confidentiality, etc.

C. Legislation . . . Federal and State

1. Importance of Congressional Relations

Even though the Postal Reorganization Act of 1970 theoretically took the Postal Service out of politics, close attention to Congress and legislative intiatives is important to all direct marketers.

Not only can legislation in many areas significantly impact direct marketing, but the perception of the industry among key members of Congress can affect the treatment of the industry by many federal agencies and regulatory agencies.

During the next few years, we can expect close Congressional scrutiny and legislation affecting the method of setting postal rates, the structure of the communications industry, state taxation of interstate commerce, privacy, and postal appropriations, to name just a few. In addition, informational hearings and Congressional studies on a myriad of subjects are a constant feature of the Washington landscape. These hearings and studies, even if they do not result in actual legislation, can be important factors in shaping the opinions and actions of governmental decision makers at all levels.

2. State Activities

Activities in state legislatures and in the executive branches which affect mailing lists and direct marketing are becoming increasingly important. The same guidelines used in keeping up with Congressional activities should also be applied to state legislative and regulatory activities.

DMA has strengthened its activities on a state level to provide an informational and lobbying capability in state capitols as the need arises. In addition, DMA maintains a monitoring service to warn members of pending state legislation in several areas of concern. Several proposed laws have been dropped or modified recently because of combined member activity and professional lobbying efforts.

D. DMA Services

DMA maintains a Washington office responsible for representing the interests of its members in Congress, before federal agencies, and in the state capitols. The staff operates under policy guidelines developed carefully by DMA's Government Affairs Committee with approval by the Board of Directors and Executive Committee. Through these formal policy-making bodies, every member has an opportunity to influence the shape of the industry's response to governmental challenges.

The Washington office publishes a monthly newsletter called *Washington Report*, which is sent to all interested DMA members. *Washington Report* discusses issues in the legislative and regulatory areas, both federal and state, in order to increase awareness of developments of current or future importance to the industry. Special bulletins are sent out whenever a sudden event of major significance occurs.

Members are urged to call the Government Affairs Department in Washington (202) 347-1222 for information on postal or other legislative or regulatory matters.

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Education

by
Richard Montesi
DMA, New York

A. Programs of the Educational Foundation

The primary purpose of the Direct Marketing Educational Foundation is to improve the quality and scope of direct marketing education at the university level. Currently, the Foundation sponsors eight major programs.

These programs have resulted in a greater expansion of direct marketing education at the university level. Students and educators are more aware of our field and recognize direct marketing's worth and potential as an advertising medium. Consequently, through our many programs, more and more top college students are choosing direct marketing as a career upon graduation.

The Direct Marketing Educational Foundation is non-profit and is supported entirely by contributions.

1. Collegiate Institute Scholarship Program

This program for college seniors consists of a five-day intensive seminar on all aspects of direct marketing. A faculty of about a dozen experts in the field conduct sessions in their specialty. The Foundation sponsors two Institutes a year.

Seniors in marketing, advertising, business administration, journalism, mass communications, or related fields are eligible to apply. Only 30-32 highly qualified students are granted scholarships for each Institute. Criteria include: recommendation from faculty members; academic standing; interest in advertising and marketing; extra-curricular activities; part-time or full-time employment record (special consideration is given to employment in advertising, journalism or sales areas.)

2. Direct Marketing Institutes for Professors

A 3½ day direct marketing institute for educators who are teaching or planning to teach direct marketing courses. Attendance is on a fellowship basis. Professors learn about the different areas in direct response and get assistance with curriculum development. The major purpose of the Institute is to increase the number of full or partial courses in direct marketing, provide a forum for the exchange of ideas between educators and practitioners and ultimately increase the number of students exposed to direct marketing.

3. Minority Student Summer Internship Program

In an effort to bring more minority students into the rapidly-growing field of direct marketing, 12-15 students are awarded internships on a scholarship basis to New York City Direct Marketing firms during the summer. Jobs for interns are determined by the participating firms according to their needs. Typical functions involved hands-on training in the basics of direct marketing in such positions as mailing list maintenance supervisor, marketing research assistant, subscription fulfillment supervisor, copywriter, production assistant and layout artist.

In addition to their experience with one company, interns meet experts from other companies, learn about direct marketing careers, and discover functions and techniques unique to the

industry. Their room, board, and transportation costs are covered and interns earn a weekly stipend.

4. Fellowship Program

This program is for college professors who teach or plan to teach courses in direct marketing. The purpose is to provide an education in the basic uses and functions of the medium which can then be translated into meaningful undergraduate and graduate programs. It is hoped that through a broader understanding of the medium and its role, greater emphasis will be placed on the teaching of direct marketing through more in-depth coverage of the subject in college level courses.

Full-time educators in the areas of advertising, marketing, journalism, business and related subjects are eligible to apply. Recipients of these fellowships attend DMA's Basic or Advanced Institutes and have the opportunity to make contact with the business community.

5. Career Days

Career Days are held in conjunction with DMA's Annual and Spring Conferences. Students and professors from nearby colleges and universities, invited for the day, attend a special program on direct marketing . . . its uses, advantages ad career opportunities. Special sessions are also conducted for professors to introduce them to the Foundation's many educational services and to encourage more extensive teaching of our subject.

6. Visiting Executive Program

In an effort to reach an even larger college audience, the Foundation sponsors volunteer speakers throughout the country who speak at college classes, club meetings, and similar convocations. The Foundation arranges the match between the Visiting Executive and the college and provides appropriate hand-out materials.

7. Career Guidance

The Foundation provides assistance to individuals interested in entering the direct marketing profession. Through a series of direct marketing career brochures, interested persons are made aware of the many opportunities available in the field. Although not a placement service, the Foundation aids in the job search. In addition, individuals may send us their resumes which we then forward to any company which contacts us about an entry-level job opportunity. The Foundation also maintains a file of resumes of students who have attended Collegiate Institutes . . . all top students in advertising and marketing, who have an excellent background in the various areas of direct marketing.

8. Course Information and Teaching Aids

The Foundation maintains a list of colleges and universities that offer undergraduate and graduate courses in direct marketing. The Foundation also assists professors interested in developing direct marketing curricula, writing texts or chapters in direct marketing, or launching appropriate research projects. Teaching aids are available at a nominal cost. A complete description of all items is available from the Foundation office.

B. Professional Education

The Educational Marketing Department exists to promote the practical application of the Direct Marketing concept, helping program participants to consolidate their existing knowledge and encouraging them to put the latest successful concepts into practice in their own companies. Courses are made available to all individuals interested in advancing there skills in direct marketing. In this way the education department seeks to perform a wide training role across the whole spectrum of the Direct Marketing Industry.

In order to achieve its objective the Educational Marketing Department offers courses that have practical application, are short but intensive, are inter-related and complementary, are run frequently, give both general and specific benefits and are presented through the use of a combination of lecture, discussion, case study, and competitive team work.

The Direct Marketing Association's Institute and Seminar series offer continuing education programs on the Basics of Direct Mail, Finance, Lists, Coy and Art, Catalogs, Industrial Direct Mail and many other topical subjects.

Most educational and training activities take place in cities close to member company facilities. The programs offer valuable learning activities as well as opportunities for interaction with representatives from other companies.

Appendix I

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Appendix II

Self Regulation

by

John M. Cavanaugh

DMA, New York

While the message of the early '80s from the Federal government is clearly an urging to private sectors to take care of their own problems through self regulation, the paradoxical activity of more state governments is increased legislation and regulation.

With DMA's experiences over the years, the clear response to any possible governmental position is for the industry to self regulate.

The best proof of the effectiveness of this approach may be seen in the details of the historic meeting of the 1974 Privacy Act and the Privacy Protection Study Commission with the DMA Mail Preference Service. That single DMA service to consumers helped the Commission to opt for continued self regulation of direct marketing in contrast to suggesting confining and possible debilitating legislation. DMA's efforts at self regulation turned the tide. It was a lesson not to be forgotten.

A. Privacy Protection Study Commission's Mandate

The Privacy Protection Study Commission was given a general mandate to look at a wide range of issues including the use of Social Security numbers, interstate transfers of information, databanks, and information systems. In addition, it was given specific directions to study "whether a person engaged in interstate commerce who maintains a mailing list should be required to remove an individual's name and address from such list upon request of that individual."

B. DMA and Industry Respond

The Commission's investigations which began in 1974 elicited a massive response from DMA and its members. From this response, and the subsequent positive decision by the Commission on the use of names, came the Freedom To Mail campaign and the voluntary use of individual mail preference service offerings made by direct marketers both within the DMA membership and non-members.

C. Freedom to Mail Campaign

A joint fund raising and public relations campaign began which created the Freedom To Mail Campaign. This campaign educated consumers and governmental representatives; urged direct marketers to adapt the rule of self regulation; monitored individual mail preference service offerings; strengthened DMA's Ethics activities, Guideline formation and distribution and DMA's own self regulatory and policing policies and practices.

D. Self Regulation is Good Business

When DMA initiated the Mail Preference Service in 1971, it did so with deep concern from several of its members. There was a fear that names would be lost and lists decimated. But the sensible arguments prevailed. Since that time, the industry has come to realize how practical it is to remove names of individuals from lists who do not want to receive the mailings in question.

Recent examinations of the nature of DMA's name removal lists indicated that the service is exactly on target. The list contains a large percentage of highly educated, vocal individuals who choose to limit the extent of their mailings, wish to be selective and certainly know how and where to complain if their wishes are not heeded. This highlights an all-too-often forgotten aspect of the name removal list; the fact that it gives these vocal individuals a response to their concerns and avoids the possibility of their approaching governmental groups and agencies.

E. On-Going Threat

DMA members must realize that the self regulation efforts of all members must be a continuous way of doing business. The threat of regulation is ever present. As new areas of direct marketing expand, new threats to direct marketing freedoms are threatened. In the early 1980s, increased emphasis on the state level can be seen relating to telephone regulations. Direct marketers are soon going to have to face the expansion of name removal to include name removal for telephone purposes. Just as surely, the introduction of cable and more direct in-home shopping services must bring renewed and refined self regulatory procedures to assure complete protection for the consumer. In response to these new areas of concern, DMA issued, in 1981, the first set of guidelines to cover some of these areas, the *PERSONAL INFORMATION PROTECTION GUIDELINES*. (These guidelines may be found elsewhere in the Fact Book). DMA is also testing a Telephone Preference Service.

F. Self Regulation and Ethics

A major result of the renewed self-regulatory plan of DMA was the strengthening and restructuring of its Ethics Department. In its continuing efforts to improve the image of direct mail and direct marketing, DMA sponsors several activities in its Ethics Department.

Ethical Guidelines are maintained, updated periodically and distributed to the field.

A Committee on Ethical Business Practices monitors the mails and direct offerings to the consumer and investigates complaints brought to its attention.

An Ethics Policy Committee initiates programs and projects directed toward improved ethical activity in the direct marketing area.

MOAL (Mail Order Action Line) handles consumer mail order complaints, and MPS (Mail Preference Service) offers mail flow reduction to consumers.

All Ethics activities are directed by a full time Director of Ethical Practices.

SAMPLES OF NAME REMOVAL OPTIONS OFFERED BY DIRECT MARKETERS. Additional information on this matter may be obtained from DMMA's INFO CENTRAL in DMMA Headquarters, New York, NY

MAIL ORDERS: Use of the order form **(please use Order Form 1 first)** and envelope provided will give you faster service. Rush orders are given highest priority and are processed ahead of others. Sorry, C.O.D.'s will not be accepted.

TELEPHONE ORDERS: Call **812/357-8251.** Only Master Card and VISA credit card orders will be accepted. Phone service is available 9:00 A.M. to 9:00 P.M. Monday through Friday and 9:00 A.M. to 2:00 P.M. on Saturday (C.D.T.) Please have catalog order form filled out with charge card information when phoning. **Minimum credit card order, $10.00.**

SHIPPING: Most orders are sent via United Parcel Service (UPS), an independent delivery service which delivers to your home. Please include your street address, they cannot deliver to a box number. If you would prefer delivery through the U.S. Mail, please mark "SHIP PARCEL POST" clearly across order form. Orders can only be sent to addresses with a U.S. Zip Code. Shipping charges cover all order processing, packaging and delivery costs.

GUARANTEE: If for any reason you are not completely satisfied, we will accept the prompt return of any item for immediate exchange or refund.

PERSONALIZED OR IMPRINTED MERCHANDISE: Please print or type specific information on order form as outlined in the product copy for desired item.

PAYMENT: All orders must be pre-paid with check, money order or use of Master Card or VISA credit card. **(Minimum credit card order, $10.00.)** Carefully copy your credit card number to avoid any error. PLEASE DO NOT SEND CASH OR STAMPS.

PRICES: These prices are good until January 1, 1982. After this date most items are available, but prices may change.

PROBLEM WITH ORDER? Please use the back of the packing slip enclosed with each order to report any problem or call our Customer Service number 812/357-8251. (No collect calls, please.) Packing slip with information concerning the problem must be returned with the merchandise.

REFUNDS OR EXCHANGES: Returns should be sent to Abbey Press, Plant 2, Returns Department, St. Meinrad, IN 47577. Please wrap packages securely and send by Parcel Post or United Parcel Service. Enclose the packing slip in the package explaining to us the action you would like us to take.

DUPLICATE CATALOGS: Have you received more than one copy of the same catalog? Hard as we try, duplication cannot always be avoided. Please clip the label and send it to Abbey Press, Department D, St. Meinrad, IN 47577.

MAILING LISTS: Sometimes we make our customer list available to certain organizations whose products we think might interest you. If you would prefer not to receive such mailings, please indicate so in the special area on the face of your order form.

THANK YOU for shopping with Abbey Press. We look forward to serving you, your family and friends.

Dave Donahue
Customer Service Manager

©St. Meinrad Archabbey, Inc. 1981

DIRECTIONS FOR ORDERING IMPRINTED CHRISTMAS CARDS

1. Clearly print or type your name in the special Christmas Card section on catalog order form.

2. Do not use dashes or commas unless you want them imprinted. Separate each word with a space.

3. After we receive your order, we are unable to accept a cancellation or changes in imprinting.

4. No orders can be accepted for less than 25 cards. **Sorry, assortments cannot be imprinted.**

5. If ordered after **November 20,** please indicate a second choice of card design.

6. All imprinting will be done in red ink. ONE OR TWO LINES are considered standard, additional lines imprinted at **$1.00 per line.** The actual size and style of a standard two line imprint is as follows:

The Schipp Family
Bill, Cindy, Aaron and Amber

HOW TO FIGURE YOUR IMPRINT COST:
For the first 25 cards, add $3.00
For additional cards, add $1.00 per 25 cards.
Please remember,
assortments cannot be imprinted!

BEST AVAILABLE COPY

OLD PUEBLO TRADERS

ARIZONA MAIL ORDER COMPANY, INC.
Phone 602 • 795-1281

Palo Verde at 33rd • Post Office Box 27800
Tucson, Arizona 85726

CCC198h

Order #
Office Use Only

5181

REMOVE PEEL-OFF LABEL FROM BACK COVER AND PLACE BELOW.
IF ADDRESS IS INCORRECT, PLEASE MAKE CORRECTIONS ON THE LABEL.

Name _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

Please give us your telephone number in the event we need to contact you about your order.
AREA CODE TELEPHONE

SHIP TO: (use only if different from address at left)

Name _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

IF USED, check proper box: ☐ change of address ☐ gift ☐ temporary address)

for FAST PERSONAL SERVICE

ON CREDIT CARD ORDERS ONLY

CALL
602-795-1281
24 Hours A Day
7 Days A Week
Please, no collect calls.

BEFORE YOU PLACE YOUR CALL

Please complete your order form with the following information:

1. Complete name, address, daytime phone number and area code.
2. Catalog number(s), page number, item description, quantity, size, color, price.
3. Credit card you are using, name on credit card, number, expiration date.
4. Code number shown on right corner of peel-off label on back of catalog.

master charge VISA

Mailing Lists

We have begun making our customer list of names and addresses available to carefully screened companies and organizations whose products and activities might be of interest to you. If you would prefer not to receive such mailings please copy your mailing label exactly and mail to:

OLD PUEBLO TRADERS
Dept. ML
Post Office Box 27800
Tucson, Arizona 85726

Catalog Number	Page No	Item Description	Qty	Size	Fill in Colors & Number 1st Color	No	2nd Color	No	Price Ea	Total Price

SATISFACTION GUARANTEED OR MONEY BACK

We gladly accept returns made within 15 DAYS of receipt. We cannot accept merchandise that has been altered, personalized or soiled. To speed your refund or exchange, please enclose packing slip and your instructions. Merchandise is covered by a full money back guarantee.

Send a Friend a Catalog

If you would like a catalog sent to any of your friends please send us their names and ***complete*** *addresses. Use a separate sheet of paper for additional names and* ***complete*** *addresses.*

Name _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

Name _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

POSTAGE AND HANDLING CHARGES

To avoid delay, please send correct amount with order.

TOTAL ORDER

$15.00 and under	add $1.95
$15.01 – $25.00	add $2.25
$25.01 – $50.00	add $3.00
$50.01 – $75.00	add $3.50
$75.01 – $100	add $4.00
Over $100	add $4.50

For Air Mail add $1.50

Sub Total	
Arizona Residents Only 6% TAX	
Postage & Handling ☐ Regular Mail ☐ Air Mail	
OPT'S Optional Shipping Ins. 75¢	
TOTAL ENCLOSED	

Please indicate method of payment.

☐ Check or money order enclosed ☐ BankAmericard or VISA
☐ Master Charge ☐ American Express (No Postage Stamps Please)

Account Number (Please list all digits from your charge card)

Master Charge customers, in addition to your account number, please list the four digits above your name.

Expiration Date _____ (Office Use Only)

Signature _____
required if using charge card

BEST AVAILABLE COPY

How to Order

It's Easy to Order by Mail

Fill out and mail this order form in one of the enclosed envelopes. As you do, keep these points in mind:

1. You can choose your method of payment—check, money order, credit card or an approved Omaha Steaks account. Due to varying market conditions, prices are subject to change. If necessary, we'll confirm new prices before shipping.

2. Our guarantee of excellent delivery is valid when you furnish proper address. We even guarantee delivery to Post Office boxes when you include the recipient's phone number.

3. A greeting with your name or company name will be imprinted on gift shipping labels. If you wish, we'll use your gift cards when you send them with your order. (max. size 3" x 5")

4. We'll confirm each order and prices with you by return mail.

Delivery
Shipments are made postpaid by United Parcel Service, Parcel Post, or Priority Mail.

Air Freight Shipments
With air freight rates constantly changing, we ask that you please call or write for details.

Other Offers
Your name, as a part of our customer family, is made available to carefully screened organizations with an offer or appeal that might interest you. If you would rather not receive such offers, please let us know.

Family or Friends in Alaska or Hawaii?
A limited selection of products is now available for you to send them. Please call or write for details.

Order Now—Pay Later With Our Brand New DELAYED BILLING Service
No longer will we bill you immediately for credit card orders you'd like shipped in the future. From now on, we'll hold onto those bills until two weeks before the shipment dates you request.

Order Our Special of the Day!
It may be just what you're hungry for—a box of juicy steaks, a heat-and-serve entrée, or one of the other luscious foods shown in this catalog. While it's on special, you can have it delivered with your order at a special low price! Ask our operator about our "Special of the Day" any time you call in an order.

It's Easy to Order by Phone

And now, you can call FREE from Puerto Rico and the Virgin Islands, too!

Just call us—toll free—at (800) 228-9055 anytime, 24 hours a day, 7 days a week with credit card orders.

You may find it helpful to fill out an Omaha Steaks order form to use as a reference when calling.

For customer service, call (800) 228-9872 toll free—anytime.

Nebraska residents, call (402) 391-3660 collect.

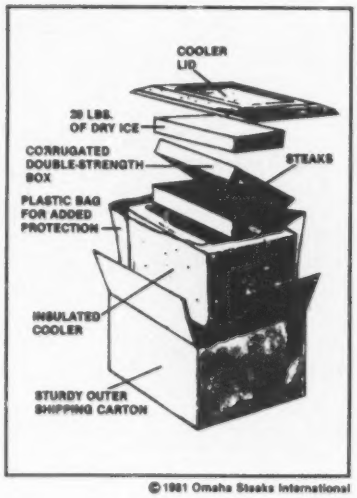
Cable Address: OMASTEAK, Omaha, Nebraska Telex Number: 48-4488

Valuable Bonus

Free Cookbook

- Complete information on cooking Omaha Steaks
- Easy-to-follow instructions for all Omaha Steaks products
- Helpful serving hints
- Exclusive recipes by food authority James Beard
- Complete selection of James Beard's sauce recipes, to complement your Omaha Steaks

How Your Frozen Foods Get From Omaha to You — in Top Condition.



© 1981 Omaha Steaks International

Your frozen food orders will arrive at your front door still firmly frozen — all the way from Omaha. Several layers of packaging, including an insulated cooler and plenty of dry ice, assure safe arrival in top condition.

We've been shipping meat across the country and around the world for over 25 years. All this experience has helped us develop our dependable method of packaging.

In fact, we're so sure this method works that we **guarantee** it. Your frozen food orders must arrive in excellent condition, or we'll replace your order or refund your money.

As a bonus for you, once you've unpacked your frozen foods, you'll be able to re-use the cooler for your own picnics. It's a $4.00 value that's yours to keep—at no extra cost.

You must be pleased
Guarantee...
If you are not pleased for any reason, we will replace your order or refund your money, whichever you prefer.

Omaha Steaks International®
4400 South 96th Street, Omaha, Nebraska 68127

HOW TO ORDER

Easy Ordering: Order by product number, the brief description, page number, quantity and unit price. We prefer you use the order blank provided, but if you do not have one, feel free to use your own paper. When ordering package quantities indicate PKG in description. You may order by phone. Call (609) 547-8900 anytime 24 hours a day, 7 days a week. Phone service available to MasterCard, VISA, American Express and Diners Club card holders and to Edmund's approved open accounts.

Convenient Payments: For your convenience we gladly accept MasterCard, VISA, American Express and Diners Club cards. Please give number, expiration date, & your signature. We also welcome personal checks, money orders, & cashiers checks. Sorry, we are unable to accept cash, postage stamps, or C.O.D.'s.

Open Accounts are available only to firms with Dun & Bradstreet ratings of "Good" or higher, Federal and local governments, recognized schools, and well-known institutions. If you wish to establish credit with Edmund, please send one bank and three commercial references. Credit checks normally take 4 to 6 weeks. In a hurry? Send check with your firm's order as well as your credit references or use credit card.

Open Account Terms: net 30 days. Packaging & guaranteed delivery chart rates not apply to open accounts. All open account orders shipped F.O.B. Barrington, N.J.

Prices: Edmund Scientific diligently strives to maintain the lowest possible prices and still offer our customers the highest quality products available. Prices in this catalog are effective September 1, 1981 and supercede all previous catalog prices. Unfortunately, due to inflation, prices must be subject to change without notice.

Gift Certificates from Edmund Scientific. Can't decide on a gift for a friend? We will send a gift certificate for $10 or more along with your best wishes and a Free Edmund Catalog. Send request to: Attention Gift Dept.

Packing and Guaranteed Delivery: Includes postage cost, insurance, guaranteed delivery, and careful individual packing and handling by Edmund Scientific. Simply find the range within the dollar amount of your order on the chart provided below and add to your total.

FOREIGN AND DOMESTIC DELIVERY: On all orders shipped in the U.S., its territories or possessions, to each shipping address, add:

Orders up to $ 10.00 add	$1.50
Orders from 10.01 to $25.00 add	$3.00
Orders from 25.01 to $50.00 add	$3.95
Orders from 50.01 to $100.00 add	$5.00
Orders from 100.01 to $200.00 add	$6.93
Orders over $200.00 add	$9.00

Discontinued Products: If you wish to order a product from an old catalog, don't hesitate. Go ahead and order. Chances are we still have the item in stock. If we are temporarily out of stock, we will backorder your item at no extra charge.

Mail Preference Service: In our continuing effort to provide our customers with the best possible service, we occasionally make our mailing lists available to carefully selected, high quality companies whose products and services we feel may interest you. You Have A Choice... If for any reason you do NOT wish to receive these mailings, copy your mailing label exactly and return to us. Attn: Mail Preference Supervisor.

Help Us Eliminate Duplicate Catalogs! Send us the label (s) from the additional catalog you do not want and we will promptly correct the duplication. Then, give your extra catalog to a friend.

Need More Information? Feel free to call our Main Switchboard weekdays 8 am to 4:30 pm (609) 547-3488.

You Must Be Pleased—That's Our Guarantee!

You must be completely satisfied with your Edmund purchase or we will return your money promptly, no questions asked! All our products are carefully tested for quality and are honestly described in our catalog. That means you can buy with confidence each and every time. If you're not completely happy with your purchase for any reason at all, just send back the item and we will promptly return your money. That's my personal guarantee!

Walter M. Scott

Edmund Is International! Distributors Around The World

Order directly from the nearest Edmund Scientific Distributor listed below. Or write to: International Department, 101 E. Gloucester Pike, Barrington, New Jersey 08007. (Please write in English when ordering directly from Edmund U.S.A.)

SWITZERLAND
EDMUND SCIENTIFIC S.A.
12, Rue Centrale Journet
121 - Meyrin/Geneve
Switzerland
Telephone 41-022-82-37-50
Telex: 22-619

NEW ZEALAND
BLAKELL SCIENCE COMPANY LTD
202 Manchester St.
Christchurch, P.O. Box 22555
New Zealand
Phone 65-865 Cable HLLBLAKE
Telex: NZ4366 HLLBLAK

AUSTRALIA
HUNTER SCIENTIFIC
Shop 2, 157 Hunter St.
Newcastle, N.S.W.
P.O. Box 2126
Bangor, N.S.W. 2289

JAPAN
EDMUND SCIENTIFIC CO.
c/o HOYO CORPORATION
Hibiya Park Bldg.
No-8265 / Yurakucho -Chome
Chiyoda-Ku, Tokyo 100 Japan

SWEDEN
TEKNO-OPH
Hyttsborg Toppe 2
S-443 00 Lerum
Telephone: 0302 / 18011

CANADA
EFFTON SCIENCE
35 Belhurst Street
Toronto, Ontario
Canada M5M 2G5
Telephone at (0) 127-4584
Telex: 06-986554

ENGLAND
EDMUND SCIENTIFIC
C/O RHEINBERGS LTD
Bennington Way
Cambridge Trad. Est.
Kent, London, England
Telex 95211
Cable Rheinberg Tunbridge
Telephone
67120 / 35 / 357 or 35883

WESTERN EUROPE
Austria, Belgium, Denmark,
Finland, France, Germany,
Greece, Italy, Luxembourg,
Netherlands,
Norway, Portugal, Spain, Write
to our office in Geneva,
Switzerland

International Prices: U.S. prices listed Net F.O.B. Barrington, N.J. Customs, duties, etc, may cause higher prices for overseas distributors. Use order blank in catalog when available or request one from your local distributor or Edmund's International Dept. Export declarations and consular documentation additional. Complete Cost & Freight Proforma invoice submitted upon request.

Terms: Prepayment of order (U.S. currency only) or irrevocable letter of credit-at-sight. UNESCO coupons accepted with prior approval.

Returns: Prior approval for all returns.

Additional Catalogs: Send $2.00 for 1st Class (sent surface mail) and $3.50 for Air Mail postage.

Detach this Bonus Gift Coupon and Send with your order. Your calendar will arrive with your Edmund products.

FREE BONUS GIFT!
This spectacular 12 x 12" 1982 Space Calendar—a $6.95 Value!—is yours FREE with your $75.00 order from Edmund Scientific! Twelve dramatic views of the awesome realm of outer space—from the magnificent Space Shuttle Columbia to a mind-expanding artistic rendering of a meteorite gashing a crater in a young Earth!

You Must Be Pleased— That's Our Guarantee!

You must be completely satisfied with your Edmund purchase or we will return your money promptly, no questions asked! All our products are carefully tested for quality and are honestly described in our catalog. That means you can buy with confidence each and every time. If you're not completely happy with your purchase for any reason at all, just send back the item and we will promptly return your money. That's my personal guarantee!

Walter M. Scott

Order By Telephone

It's the easiest, fastest, and most convenient way to order by mail. Just call our Direct Line To Order Department, day or night, 24-hours a day, every day of the year. We gladly accept MasterCard, VISA, American Express and Diners Club credit cards. Call:

Direct Order Telephone Line
(609) 547-8900
Always Open
24-hours, 7 days a week
for our Credit Card Customers

Send A Catalog To A Friend

If you enjoy our unique catalog, so will most of your friends! Just fill in their names below and we will rush them their FREE copy of the Edmund Scientific Catalog.

Name _____
Address _____
City _____
State _____ **Zip** _____

Name _____
Address _____
City _____
State _____ **Zip** _____

Name _____
Address _____
City _____
State _____ **Zip** _____

Give us your name and we will send the catalog with your compliments.

_____

DIRECT ORDER TELEPHONE LINE

Always Open
24 Hrs. A Day
7 Days A Week

(609) 547-8900

24-Hour Telephone Service
For Credit Card Customers

VISIT OUR FACTORY RETAIL STORE

A great place to buy all items in this catalog and much, much more!

STORE HOURS:

Monday through Wednesday and Saturday: 9:00 AM to 5:30 PM
Thursday and Friday: 9:00 AM to 9:00 PM
Sunday: 12:00 Noon to 5:00 PM

CLOSED: New Year's Day, Easter Sunday, Memorial Day, Independence Day and December 25th.
And, as always,
FREE LIGHT SHOWS DAILY!

Minutes from Exit 3 of the N.J. Turnpike or from the "Route 30 East" Exit of Route 295. Call us for complete directions!

BEST AVAILABLE COPY

FLAGSTEEL REPORT

4795-F Fulton Industrial Blvd.
Atlanta, Georgia 30336

F-1

PLACE PEEL-OFF LABEL FROM BACK COVER HERE WHETHER LABEL ADDRESS IS CORRECT OR INCORRECT. IF LABEL IS WRONG OR YOU ARE MOVING, FILL IN CORRECT INFORMATION BELOW. IF YOU RECEIVE DUPLICATE CATALOGS, PLEASE ATTACH EXTRA LABELS.

NAME_____

ADDRESS_____

CITY_____

STATE_____ ZIP_____

PHONE (_____)_____

☐ Check or money order enclosed, (sorry no c.o.d.'s).

We honor MasterCard ☐, VISA (BankAmericard) ☐.

InterBank Number (MasterCard only) ☐☐☐☐

Account number (All digits, please):

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Expiration Date_____ SIGNATURE_____ (Required for charge orders only)

TO ORDER A GIFT CERTIFICATE: Write in "gift certificate" and amount on order form with other items. Please include the postage and handling amount in the amount of your certificate. Add tax, if applicable. Please fill in "enclosure card message" section.

CUSTOMER SERVICE: For inquiries other than orders, please call (404) 691-7311. We cannot accept collect calls at this number.

MONOGRAM INFORMATION: Specify up to 3 initials (in true order), underlining last name initial. Available only where monogramming is offered.

ITEMS ORDERED TOGETHER may or may not be shipped to you the same day. We will notify you of any delay over 20 days in shipping. Please allow extra time for monogramming or imprinting.

PHONE ORDERS: For fastest service, please have all credit card information readily available and call

TOLL FREE
800-241-9321

Georgia residents please call 404-691-7633 collect. A staff member will be happy to assist you with your shopping between the hours of 8 a.m. and 9 p.m. (EST). At other times your telephone order will be recorded for immediate processing.

RETURN POLICY: Any returns must be made within 30 days following your receipt of merchandise. We cannot accept returns sent after 30 days from the date you received merchandise.

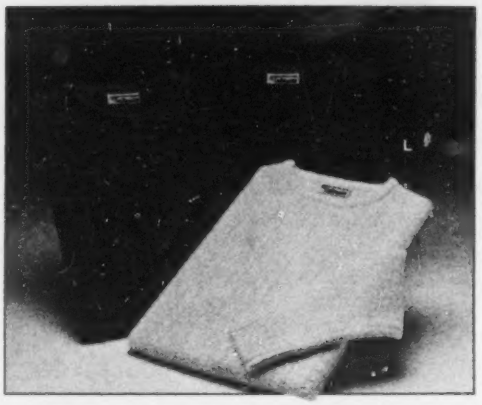
ITEM NO.	DESCRIPTION OF ITEM OR GIFT CERTIFICATE	SIZE	QTY.	Monogram 1-2-3	ITEM PRICE	GIFT BOXED $1.00	TOTAL CHARGE	Please print name and address for items to be shipped to address other than your own	Enclosure Card Message
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:
								Name Address City State Zip	To: From: Message:

Sub-Total	
Georgia Residents Add Sales Tax	
Postage, Handling and Insurance $2.50 for one item, $3.00 for two items, $6.50 for three or more items	
TOTAL ORDER	

SPECIAL INSTRUCTIONS:

MAIL PREFERENCE: We grow by mailing our catalogs to new people. Their names come from friends who ask us to mail them a catalog and from other reputable direct mail companies. We also rent lists from and/or to these companies only after carefully selecting and approving the products or offers that they intend to mail to our customers. If you prefer not to receive additional offers, please copy your label exactly and mail it to: Mail Preference Service, 4795-F Fulton Industrial Blvd., Atlanta, Georgia 30336.

BEST AVAILABLE COPY



Add Softness To Your Autumn Wardrobe.

33L. 124-4-303 Muted autumn colors and baby cables in front make this furblend sweater a beautiful addition to every wardrobe. The Talbots exclusive from Ciao Sport, Ltd., it will add softness and warmth on those cool days. Lambswool/angora/nylon. Hand wash or dry clean. Deep rose(22), violet(41), white(80), jade(12), silver grey(72). See 6B. Sizes S(6-8), M(10-12), L(14-16). $44.00

Monogram Information

1. Please write your initials on the order form with your first name first, your middle name second, and your last name third. We will place them in the proper order, according to the style you've selected. If the design has one letter larger than the others, this will be the initial of your last name. When all the letters are the same size, your last name's initial will appear last.
2. When an item can be monogrammed in a choice of colors, please refer to the list opposite and use the appropriate color number when ordering.
3. On all other monogramming, the color is coordinated to each item, and no color number is necessary.
4. Monograms are available only on those items indicated.
5. Please allow two weeks for delivery.

1. white	14. blue
2. navy	15. charcoal
3. red	16. pink
4. black	17. hot pink
5. green	36. burgundy
6. brown	41. orange
7. cream	42. rust
11. yellow	62. raspberry
12. coral	65. lavender

Guarantee

If for any reason you are not satisfied with your purchase, please return the merchandise and we will replace it or refund your money, whichever you prefer. No time limit. No exceptions. And refunds or replacements are made promptly.

Call Toll-Free

From the continental United States, Puerto Rico, and the U.S. Virgin Islands, call 800-225-8200

From Massachusetts
800-232-8181

From Alaska, Hawaii and foreign countries
617-749-7830

Hours
Monday through Friday 8:30 A.M. to 10:00 P.M.
Saturdays and Sundays 9 A.M. to 6 P.M. Eastern time

Any other time, including holidays, automatic equipment will record your call. You may either place your order or leave your number and we'll call you back.

Duplicate Mailings

If you receive more than one copy of our catalog, please send us all the labels and indicate the correct one to help us prevent this from happening again.

Shipping

Most of our merchandise is shipped within 24 hours. Sometimes, though, a supplier ships late or merchandise has to be sent back because it doesn't meet our standards. We will notify you of any delay. Unless you request differently we ship via United Parcel Service. If you select air delivery your order will be shipped U.P.S. Blue Label or Priority Mail, whichever is faster, to your location. Shipments to Alaska, Hawaii and foreign countries are sent air mail or U.P.S. and billed at cost. Canadian shipments are sent Parcel Post and billed at cost.

Mailing Lists

Occasionally we make customer names available to firms offering merchandise that may be of interest to you. If you would prefer not to receive these mailings, please copy your label exactly as it appears on this catalog and send it to: The Talbots Mail Preference Service, 164 North Street, Hingham, MA 02043.

Appendix III

Ethics

by
John M. Cavanaugh
DMA, New York

The Ethics Department function within DMA is a major part of the Association's commitment to self-regulation and to the monitoring of the direct marketing arena.

Headed by a full time Director of Ethical Practices, the office is assisted by two major committees:

- *The Committee on Ethical Business Practices* (also known as the Operating Committee) examines questionable mailings or practices brought to its attention and acts to correct any activities which are contrary to the DMA Guidelines for Ethical Business Practices. The Committee also updates and maintains these Guidelines.
- *The Ethics Policy Committee* develops programs and projects that are aimed at improving the overall image of direct marketing.

The Ethics Department, also, periodically distributes and updates the Guidelines for Acceptance of Direct Response Broadcast Advertising and the Guidelines for Acceptance of Direct Response Print Advertising.

New Personal Information Protection Guidelines have been approved by the DMA Board of Directors.

A. The Guidelines

1. Ethical Business Practices

The Direct Marketing Association's Guidelines for Ethical Business Practices are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted nationally and internationally. These Guidelines reflect DMA's long-standing policy of high levels of ethics and the responsibility of the Association and direct marketers to the consumer and the community—a relationship that must be based on fair and ethical principles.

What distinguishes the Guidelines, which are self-regulatory in nature, is that all are urged to support them in spirit and not to treat their provisions as obstacles to be circumvented by legal ingenuity. The Guidelines are intended to be honored in the light of their aims and principles.

These Guidelines are also part of the DMA's general philosophy that self-regulatory measures are preferable to governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound business practices.

Because it is believed that dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising/marketing including direct response marketing, observance of these Guidelines by all concerned is recommended.

The Terms of the Offer

Honesty — Article #1

All offers should be clear, honest and complete so that the consumer may know the exact nature of what is being offered, the price, the terms of payment (including all extra charges), and the commitment involved in the placing of an order. Before publication of an offer, direct marketers should be prepared to subtantiate any claims or offers made. Advertisements or specific claims which are untrue, misleading, deceptive, fraudu-

lent or unjustly disparaging of competitors should not be used.

Clarity — Article #2

A simple statement of all the essential points of the offer should be clearly displayed in the promotional material. When an offer illustrates goods which are not included or cost extra, these facts should be made clear.

Print Size — Article #3

Print which by its small size, placement or other visual characteristics is likely to substantially affect the legibility of the offer, or exceptions to it should not be used.

Actual Conditions — Article #4

All descriptions and promises should be in accordance with actual conditions, situations and circumstances existing at the time of the promotion. Claims regarding any limitations (such as time or quantity) should be legitimate.

Disparagement — Article #5

Disparagement of any person or group on grounds of race, color, religion, national origin, sex, marital status or age is unacceptable.

Standards — Article #6

Solicitations should not contain vulgar, immoral, profane, or offensive matter nor promote the sale of pornographic material or other matter not acceptable for advertising on moral grounds.

Advertising to Children — Article #7

Offers suitable for adults only should not be made to children.

Photographs and Art Work — Article #8

Photographs, illustrations, artwork, and the situations they represent, should be accurate portrayals and current reproductions of the product, service, or other subject in all particulars.

Sponsor and Intent — Article #9

All direct marketing contacts should disclose the name of the sponsor and each purpose of the contact. No one should make offers or solicitations in the guise of research or a survey when the real intent is to sell products or services or to raise funds.

Identity of Seller — Article #10

Every offer and shipment should sufficiently identify the full name and street address of the direct marketer so that the consumer may contact the individual or company by mail or phone.

Solicitation in the Guide of an Invoice — Article #11

Offers that are likely to be mistaken for bills or invoices should not be used.

Postage and Handling Charges — Article #12

Postage or shipping charges and handling charges, if any, should reflect as accurately as practicable actual costs incurred.

Special Offers

Use of the Word "Free" and other Similar Representations — Article #13

A product or service which is offered without cost or obligation to the recipient may be unqualifiedly described as "free".

If a product or service is offered as "free", for a nominal cost or at a greatly reduced price and the offer requires the recipient to purchase some other product or service, all terms and conditions should be clearly and conspicuously disclosed and in close conjunction with the use of the term "free" or other similar phrase.

When the term "free" or other similar representations are made (for example, 2-for-1, half price or 1-cent offers), the product or service required to be purchased should not be increased in price or decreased in quality or quantity.

Negative Option Selling — Article #14

All direct marketers should comply with the FTC regulation governing Negative Option Plans. Some of the major requirements of this regulation are listed below:

Offers which require the consumer to return a notice sent by the seller before each periodic shipment to avoid receiving merchandise should contain all important conditions of the plan including:

a. A full description of the obligation to purchase a minimum number of items and all the charges involved and,
b. the procedures by which the consumer receives the announcements of selections and a statement of their frequency; how the

consumer rejects unwanted items and how to cancel after completing the obligation.

The consumer should be given advance notice of the periodic selection so that the consumer may have a minimum of ten days to exercise a timely choice.

Because of the nature of this kind of offer, special attention should be given to the clarity, completeness and prominent placement of the terms in the intial offering.

Sweepstakes — Article #15

All direct marketers should abide by the DMA Guidelines for Self-Regulation of Sweepstakes Promotions. Articles #16 through #18 (below) contain the basic precepts of these Guidelines.

Clear and Conspicuous Disclosure of Rules — Article #16

All terms and conditions of the sweepstakes, including entry procedures, the number and types of prizes, the closing dates, eligibility requirements, and the fact that no purchase is required should be disclosed in a clear and conspicuous manner in the promotion.

Devices, check boxes, reply envelopes and the like used for entering the sweepstakes only should be as conspicuous as those utilized for ordering the product or service and entering the sweepstakes.

Prizes — Article #17

All prizes advertised should be awarded. Winners should be selected in a manner that ensures fair application of the laws of chance.

Chances of Winning — Article #18

No sweepstakes promotion, or any of its parts, should state or imply that a recipient has won a prize or overstate the chances of winning.

Price Comparisons — Article #19

Price comparisons may be made in two ways:

a. between one's price and a former, future or suggested price or
b. between one's price and the price of a competitor's comparable product.

In all price comparisons, the compared price against which the comparison is made must be fair and accurate.

In each case of comparison to a former, suggested or competitor's comparable product price, substantial sales should have been made at that price in the recent past.

For comparisons with a future price, there should be a reasonable expectation that the future price will be charged in the foreseeable future.

Guarantees — Article #20

If a product or service is offered with a "guarantee" or a "warranty", the terms and conditions should either be set forth in full in the promotion, or the promotion should state how the consumer may obtain a copy. The guarantee should clearly state the name and address of the guarantor and the duration of the guarantee.

Any requests for repair, replacement or refund under the terms of a "guarantee" or "warranty" should be honored promptly. In an unqualified offer of refund, repair or replacement, the customer's preference shall prevail.

Special Claims

Use of Test or Survey Data — Article #21

All test or survey data referred to in advertising should be competent and reliable as to source and methodology, and should support the specific claim for which it is cited. Advertising claims should not distort the test or survey results nor take them out of context.

Testimonials and Endorsements — Article #22

Testimonials and endorsements should be used only if they are:

a. Authorized by the person quoted,
b. Genuine and related to the experience of the person giving them and
c. Not taken out of context so as to distort the endorser's opinion or experience with the product.

The Product

Product Safety — Article #23

Products should be safe in normal use and be free of defects likely to cause injury. To that end, they should meet or exceed current, recognized health and safety norms and be adequately tested, where applicable. Information provided with the product should include proper directions for use and full instructions covering assembly and safety warnings, whenever necessary.

Product Distribution Safety — Article #24

Products should be distributed only in a manner that will provide reasonable safeguards against possibilities of injury.

Product Availability -- Article #25

Direct marketers should only offer merchandise when it is on hand or when there is a reasonable expectation of its receipt.

Direct marketers should not engage in dry testing unless the special nature of that offer is disclosed in the promotion.

Fulfillment

Unordered Merchandise — Article #26

Merchandise should not be shipped without having first received a customer's permission. The exceptions are samples or gifts clearly marked as such, and merchandise mailed by a charitable organization soliciting contributions, as long as all items are sent with a clear and conspicuous statement informing the recipient of an unqualified right to treat the product as a gift and to do with it as the recipient sees fit, at no cost or obligation to the recipient.

Shipments — Article #27

Direct marketers are reminded that they should abide by the FTC regulation regarding the prompt shipment of prepaid merchandise, the Mail Order Merchandise (30 Day) Rule.

Beyond this regulation, direct marketers are urged to ship all orders as soon as possible.

Credit and Debt Collection

Equal Credit Opportunity — Article #28

A creditor should not discriminate on the basis of race, color, religion, national origin, sex, marital status or age. If the individual is rejected for credit, the creditor should be prepared to give reasons why.

Debt Collection — Article #29

Unfair, misleading, deceptive or abusive methods should not be used for collecting money. The direct marketer should take reasonable steps to assure that those collecting on the direct marketer's behalf comply with this guidelines.

Use of Mailing Lists

List Rental Practices — Article #30

Every list owner who sells, exchanges, or rents lists should see to it that each individual on the list is informed of those practices, and should offer an option to have the individual's name deleted when rentals or purchases are made. The list owner should remove names from the owner's customer or donor lists when requested directly by the individual, and by use of the DMA Mail Preference Service name removal list.

List brokers and compilers should take reasonable steps to assure that the list owners follow these list practices.

Personal Information — Article #31

All list owners, brokers and compilers should be protective of the consumer's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer.

Information supplied by consumers such as, but not limited to, medical, financial, insurance or court data should not be included on lists that are rented or exchanged when there is a reasonable expectation by the consumer that the information would be kept confidential.

List Usage Agreements — Article #32

List owners, brokers, compilers and users should make every attempt to establish the exact nature of the list's intended usage prior to the sale or rental of the list. Owners, brokers and compilers should not permit the sale or rental of their lists for an offer that is in violation of any of the Ethical Guidelines of DMA. Promotions should be directed to those segments of the public most likely to be interested in their causes or to have a use for their products or services.

List Abuse — Article #33

No list or list data should be used in violation of the lawful rights of the list owner nor of the agreement between the parties; any such misuse should be brought to the attention of the lawful owner.

Telephone Marketing

(See Articles #9 and #27)
Reasonable Hours — Article #34

All telephone contacts should be made during reasonable hours.

Disclosure and Tactics — Article #35

All telephone solicitations should disclose to the buyer during the conversation the cost of the merchandise, all terms, conditions and the payment plan and whether there will be postage and handling charges. At no time should "high pressure" tactics be utilized.

Use of Automatic Electronic Equipment — Article #36

No telephone marketer should solicit sales using automatic electronic dialing equipment unless the telephone immediately disconnects when the called person hangs up.

Taping of Conversation — Article #37

Taping of telephone conversations should not be conducted without all-party consent or the use of a beeping device.

Telephone Name Removal/Restricted Contacts — Article #38

Telephone marketers should remove the name of any contact from their telephone lists when requested to do so.

Telephone marketers should not call telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists.

Fund Raising

(See Article #26)
Commission Prohibition/Authenticity of Organization — Article #39

Fund raisers should make no percentage or commission arrangements whereby any person or firm assisting or participating in a fund raising activity is paid a fee proportionate to the funds raised, nor should they solicit for nonfunctioning organizations.

Laws, Codes, and Regulations

Article #40

Direct marketers should operate in accordance with the Better Business Bureau's Code of Advertising and be cognizant of and adhere to laws and regulations of the United States Postal Service, the Federal Trade Commission, the Federal Reserve Board, and other applicable Federal, state and local laws governing advertising, marketing practices, and the transction of business by mail, telephone, and the print and broadcast media.

2. Acceptance of Direct Response Broadcast Advertising

This set of guidelines deals with DMA's desire to help stations maintain ethical practices in direct response advertising, and to promote more credibility in the eyes of the consumer, and thereby, more business for radio and television stations and their advertisers. It does not attempt to deal with the legalities of advertising procedures.

We suggest that if you make sure all commercials have been National Association of Broadcasters (NAB) code-approved before you air them, a good share of the problems will be solved, not only legalities but complaints.

There are basically two principal types of direct response complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

The nondelivery of merchandise caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are **after-the-fact** problems, appearing **after** the commercial has been aired.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with **before** the commercial is aired.

Helpful consumer advice

Stations and consumers should be aware of the number of weeks it take for delivery of merchandise. Although some advertisers may believe it may serve as a sales deterrent, stations may wish to advise advertisers to include this information in the commercial. Other helpful advice to the consumer which might also be included is the following:

a) Print the name and address to which the order is to be shipped.
b) Be sure to include your ZIP Code on your order, as well as the company's ZIP code on the envelope.
c) Send checks or money orders only, no cash.

Ask for a sample of the merchandise when the commercial is in the least bit suspicious. For example, if the offer seems "too good to be true," be sure to get a sample. This sample should be a regular **production** sample, not a handmade mock-up. If the advertiser cannot submit the sample before the commercial's air date, do not run it, but wait until the sample has been received. When you get the sample and you feel certain copy and/or visual changes should be made to make the commercial more representative, ask for them. You will be surprised how many advertisers will be glad to comply with your requests.

Procedures for checking

We realize you probably have procedures that are followed when checking advertisers' authenticity and credit, but we feel these two items are worth repeating in this set of guidelines in order that you can protect the customer.

a) Obtain information about the advertiser or principals behind the company, if you have reason to doubt a firm's authenticity. Addresses, telephone numbers, as well as personal references are useful. In many cities (such as New York) post office box numbers must be accompanied by a street address. Often merely requesting such information will deter unethical advertisers.

b) If the advertiser is new to your station, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet, when you have bad experiences, let these agencies know that as well.

Some suggestions

Here are some suggestions which we feel you might want to consider:

1) Insure that the advertising message is presented with courtesy and good taste. Disturbing or annoying material should be avoided. However, do not be afraid to ask for a revision in the commercial or a copy change if you feel the commercial has gone too far.
2) Experience trains your intuition. If an intuitive reaction tells you to check an offer out very thoroughly, do so. Do not let it slip by.
3) If the business was "too easy to get", or if a large time buy came in "over the transom", be suspicious.
4) Examine whether the commercial offers misleading descriptions or visual misrepresentations of any premiums, merchandise or gifts which would distort or enlarge their value in the minds of the consumers.
5) If the offer is vague, do not approve it. If you have read the copy through twice, and you still do not know what you are getting, ask the advertiser for a clarification of the copy. Do not accept an offer unless it is clearly spelled out.
6) Insure that on-screen play and/or the voice-over adequately specify the terms of the offer and the merchandise. Insure that on-screen crawls are readable. Be certain that they move slowly enough to be read by the average viewer. If the consumer obtains unsatisfactory treatment from the advertiser, he will blame you. Insure that both visual and audio claims support each other.
7) Make yourself the surrogate viewer or listener. Are the copy and/or pictures outlandish? Are the claims so strong as to be unbelievable?

After the commercial has appeared

1. Keep a tally of the complaints you may receive from a direct response commercial. If such complaints occur frequently, discuss them with the advertiser. Satisfy yourself of the veracity of the claims and that the advertiser is taking action on the problems.
2. Maintain a private and confidential file of problem advertisers. Consult it before airing a commercial. Check it when you begin dealing with a new advertiser.
3. Stand behind the sponsor and the product you have advertised. Remember that the consumer identifies you with the advertisement. Often, in a direct response commercial, the sponsor's name may not be prominent and may be overlooked by the viewer or the listener or the name of the parent company may not even appear but rather may be disguised as the name of the offer. Consequently, the dissatisfied consumer will turn to you.
4. If you have a problem, send in a "dummy order." Pretend you are a consumer, and place an order. Test your advertiser's responsiveness.

3. Acceptance of Print Mail Order Advertising

This set of guidelines does not attempt to deal with the legalities of advertising procedures, but rather the ethics. Nor does it deal with the do's-and-don'ts of technical copywriting. It does deal with DMA's desire to promote more honesty in mail ordering advertising, more credibility in the eyes of the consumer, and thereby, more business for publishers and their advertisers.

There are basically two types of complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

The nondelivery of merchandise caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are **after-the-fact** problems, or **after** the ad has appeared.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise.

These should be dealt with **before** the ad appears.

Helpful consumer advice

Publishers and consumers should be aware that it may take three or four weeks for normal delivery of merchandise. Although it may serve as a sales deterrent, publishers may wish to include this information on their mail order pages—along with other helpful advice such as:

a) Be sure to print your order clearly.
b) Print the name and address to which the order is to be shipped.
c) Be sure to include your ZIP Code on your order, as well as the company's ZIP code on the envelope.
d) Send checks or money orders only, no cash.

Publishers should ask for a sample of the merchandise when the ad is in the least bit suspicious. For example, if the offer seems too good to be true, be sure to get a sample. A **production** sample, not a handmade mock-up. If the advertiser cannot submit the sample before the closing date, pass, and wait until the next closing date. When you get the sample and you feel certain copy changes should be made to make the offer more representative, ask for them. You'll be surprised how many advertisers are glad to comply with your requests.

Warning signals

If the advertiser is new to your publication and plans to run a large ad, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet when you have bad experiences, let these agencies know that as well.

1) Experience trains your intuition. If some intuitive reaction tells you to check an ad out very thoroughly, do so. Don't let it slip by.
2) If the business was "too easy to get," or if a large order came in "over the transom"—be suspicious. Check out the credit. Check out the offer. Check out the source.
3) When the "buy" isn't smart—wrong season, wrong regions, wrong product for your publication—check it out. Some advertisers flood the market with impressive looking contracts, hoping some will get by.
4) When an advertiser breaks all the rules in setting up an ad, be suspicious. He may indeed be the new creative genius on the scene, but more often than not, something is awry.
5) If the offer is vague, don't approve it. If you have read the copy through twice, and you still don't know what you're getting, ask the advertiser for a clarification of the copy. Don't accept an offer unless it is spelled out.
6) Make yourself the surrogate reader. Is the copy outlandish? Are the claims so strong as to be unbelievable? Be particularly wary of ads that claim to cure physical ills such as arthritis, psoriasis, gout.
7) Taste is a subjective matter, and each publisher must decide what is in good or bad taste for his audience. However, don't be afraid to ask for a new illustration or a copy change if you feel the ad has gone to far. You will probably get it.
8) The publisher should know the street address and telephone number of every advertiser. In many cities (such as New York) post office box numbers must be accompanied by a street address. If the company is very small, know the home address and phone number of the principal.

Complaints: How to appraise them What do do with them

Keep a tally of the complaints you receive. It can be a simple sheet like a "scorecard" or a sophisticated computer printout week by week. However you do it, keep score.

When the number gets out of proportion to the size of the ad, the amount of circulation covered, give the first warning to the advertiser by phone. Note the date. If complaints persist, issue a second and third warning—preferably in writing. After such warnings, it is suggested that the publisher consider dropping this advertiser from the publication. Bear in mind that for each complaint you get, there are probably many more with similar unhappy experiences.

Establish a procedure for handling reader complaints.

Recommended policy

The publisher should stand behind his advertising pages if one of his advertisers defaults on shipment or defrauds his readers. If all attempts fail to obtain replacement of merchandise or refunds for the reader directly from the advertiser, the publisher should consider—in the interests of good business—refund to the reader himself. He should then continue to try to be reimbursed by the advertiser.

Keep the lines of communication open within your own organization. When complaints start mounting, advise your own credit department. Frequently, nondelivery problems go hand-in-hand with credit problems.

Reinstatement of an advertiser

Once you have resolved an old complaint situation, it is entirely possible this advertiser will want to come back into your publication. At the time you reinstate an advertiser who has had a bad complaint record, it is a good idea to require a "performance bond." This is an amount of money to be held in escrow (by the publisher) equal to at least two times the value of the complaints received the last time the ad ran. If the complaint situation repeats itself, you should then consider dropping the offending advertiser indefinitely.

4. Personal Information Protection

The Direct Marketing Association's Personal Information Protection Guidelines are intended to provide individuals and organizations involved in direct mail and direct marketing with principles of conduct that are generally accepted. These Guidelines reflected DMA's long-standing regard for personal privacy and the responsibility of direct marketers to the consumer—a relationship that must be based on fair and just principles.

These Guidelines are also a part of the DMA's general philosophy that self-regulatory measures are more desirable than governmental mandates whenever possible. Self-regulatory actions are more readily adaptable to changing techniques, economic and social conditions, and they encourage widespread use of sound and responsible business practices.

Because it is believed that a concern for everyone's privacy with respect to truly personal information is a basis for good business practices within direct response marketing, observance of these Guidelines by all concerned is recommended.

The Direct Marketing Association recognizes the need for businesses to protect the personal privacy of individuals and their need to provide safeguards for the proper handling of personal data contained in data files. DMA strongly believes that good business practices require respect for such expectations of the individual.

Accordingly, DMA recommends the following guidelines for the handling of personal data in data files.

For purposes of these guidelines, the following definitions apply:

Individual: A natural person identified in a file by name and address or other identifier.

Personal Data: Information which is linked to an individual on a file and which is not publicly available or observable and which it may reasonably be assumed the individual intends and expects will remain private.

Direct Marketing Purposes: The purposes of direct marketing are to promote, sell and deliver goods and services; to foster such efforts through the sale, rental, compilation or exchange of lists in accordance with the principles of these Guidelines; to delete and add individuals to lists, to provide all necessary customer services including the extenson of credit where appropriate; to raise funds, to perform market research and to encourage recipients to respond by taking direct action.

Article 1. Personal data should be collected by fair and lawful means for a direct marketing purpose.

Article 2. Direct marketers should limit the collection of personal data to only those data which are deemed pertinent and necessary for a direct marketing purpose and should be only used accordingly.

Article 3. Personal data which are used for direct marketing purposes should be accurate, complete and should be kept up to date to the extent practicable by the direct marketer. Personal data should be retained no longer than is required for the purpose for which they are stored.

Article 4. An individual shall have the right to request whether personal data about him/her appear on a direct marketer's file and to receive a summary of the information within a reasonable time after the request is made. An individual has the right to challenge the accuracy of personal data relating to him/her. Personal data which are shown to be incorrect should be corrected.

Article 5. Personal data should be transferred between direct markets only for direct marketing purposes. Every list owner who sells, exchanges or rents lists containing personal data should see to it that each individual on the list is informed of those practices (Self Disclosure), and should offer an option to have the individual's name deleted. The list owner should remove names from his/her lists when requested directly in a signed writing by the individual, or by use of the DMA Mail Preference Service name removal list.

List brokers and compilers should take reasonable steps to have the list owner follow these list practices.

Personal data should not be put at the disposal of any third party except as set forth in these Guidelines, or with the express consent of the individual, unless required by law.

Article 6. All list owners, brokers and compilers should be protective of the individual's right to privacy and sensitive to the information collected on lists and subsequently considered for transfer.

Personal information supplied by individuals such as, but not limited to, medical, financial, insurance or court data should not be included on lists that are rented or exchange when there is a reasonable expectation by the individual that the information would be kept confidential.

Article 7. Each direct marketer should be responsible for the security of personal data. Strict measures should be taken to assure against unauthorized access, alteration or dissemination of personal data. Employees who have access to personal data should agree in advance to use those data only in an authorized manner.

Article 8. Visitors to areas where personal data are processed and stored should be specifically authorized by express permission of the direct marketer and should be accompanied by at least one authorized employee of the direct marketer.

Article 9. If personal data are transferred from one direct market to another for a direct marketing purpose, measures should be taken by the transferor to arrange strict security measures to assure that unauthorized access to the data is not likely during transfer procedures. It is the responsibility of the direct marketer to whom the list is transferred to arrange strict security measures to insure no unauthorized access to the list during its return to the original owner.

Article 10. The Committee on Ethical Business Practices of DMA is charged with reviewing any complaints by individuals in violation of these Guidelines and shall take appropriate action.

B. Members and the Ethics Department

DMA members are invited to contact the Ethics Department should they have questions relating to ethical business practices, or if they receive questionable mailings or offerings which could damage the overall image of direct marketing. All members are urged to take on the additional role of the monitoring of our marketing area. All of direct marketing is improved when members help in curtailing questionable or offensive mailings or offerings.

Appendix IV

U.S. Direct Mail/Marketing Clubs and Contacts

ARIZONA

Phoenix

Mrs. Ruth L. Shea
President
THE PHOENIX DIRECT MARKETING CLUB
c/o Ruth Shea Advisory Service
P.O. Box 8756
Phoenix, AZ 85066
602/268-5237

CALIFORNIA

Los Angeles

Mr. Richard C. Sonheim
President
DIRECT MARKETING CLUB OF SOUTHERN CALIFORNIA
c/o Transo Envelope Company
6501 San Fernando Road
Glendale, CA 91201
213/245-8433

San Diego

Mr. Gilbert Mombach
Co-Chairman
SAN DIEGO DIRECT MARKETING CLUB
c/o The Krupp Organization
2252 Caminito Perciosa Sur
La Jolla, CA 92037
714/270-6230

Mr. James R. Rosenfield
Co-Chairman
SAN DIEGO DIRECT MARKETING CLUB
P.O. Box 1027
Solana Beach, CA 92075

San Francisco

Mr. Ray Gillie
Chairman, Direct Mail Dept.
SAN FRANCISCO ADVERTISING CLUB
c/o Transo Envelope Company
1600 64th Street
P.O. Box 8365
Emeryville, CA 94608
415/654-7851

Ms. Paula Byrens
Executive Director
SAN FRANCISCO ADVERTISING CLUB
681 Market Street, Room 898
San Francisco, CA 94105

COLORADO

Denver

Mr. Kent Hunter
President
ROCKY MOUNTAIN DIRECT MARKETING CLUB
c/o Petroleum Information Corp.
P.O. Box 2612
Denver, CO 80201
303/740-7100

DISTRICT OF COLUMBIA

Mr. Carl Kuhne
President
DIRECT MARKETING ASSOCIATION OF WASHINGTON
c/o Oles Envelope Corp.
532 East 25th Street
Baltimore, MD 21218
301/243-1520

Ms. Avril Howells
President
WOMEN'S DIRECT RESPONSE GROUP — DC CHAPTER
c/o Cambridge Scientific Abstract
5161 River Road
Bethesda, MD 20816
301/951-1403

FLORIDA

Fort Lauderdale

Ms. Dixieann Carrey
President
FLORIDA DIRECT MARKETING ASSOCIATION
800 West Oakland Park Blvd., Suite 309
Fort Lauderdale, FL 33311
305/561-9667

GEORGIA

Atlanta

Ms. Melissa Hagye
DIRECT MAIL/MARKETING CLUB OF ATLANTA
c/o DialAmerica Marketing
1776 Peachtree Street, NW, Suite 730 North
Atlanta, GA 30309
404/872-4001

ILLINOIS

Chicago

Mr. Robert Weinberg
President
CHICAGO ASSOCIATION OF DIRECT MARKETING
c/o R. Kestnbaum & Company
221 North LaSalle Street
Chicago, IL 60601
312/782-1351

Ms. Natalie Holmes
Executive Secretary
CHICAGO ASSOCIATION OF DIRECT MARKETING
221 North LaSalle Street
Chicago, IL 60601
312/346-1600

Ms. Paula Wesley
President
WOMEN'S DIRECT RESPONSE GROUP — ILLINOIS CHAPTER
c/o Wesley Lists
330 West Colfax, #133
Palatine, IL 60067
312/934-6083

MASSACHUSETTS

Boston

Mr. Hal Woollard
President
NEW ENGLAND DIRECT MARKETING ASSOCIATION
c/o Hal Woollard Advertising
50 Staniford Street
Boston, MA 02114
617/720-2182

MICHIGAN

Detroit

Ms. Ellen Shook
President
DIRECT MARKETING ASSOCIATION OF DETROIT
c/o Seaman Patrick Paper Co.
2000 Howard
Detroit, MI 48216
313/496-3131

MINNESOTA

Minneapolis/St. Paul

Ms. Susan Suarez
President
MIDWEST DIRECT MARKETING ASSOCIATION
c/o Campbell-Mithun Advertising
Northstar Center, 10th Floor
Minneapolis, MN 55402
612/347-1338

MISSOURI

Kansas City

Mr. William Steinhardt
President
KANSAS CITY DIRECT MARKETING CLUB
c/o Steinhardt Direct
P.O. Box 7046
Shawnee Mission, KS 66207
913/381-8564

St. Louis

Mr. Roland Wetzel
President
DIRECT MARKKETING CLUB OF ST. LOUIS
c/o Lang & Smith Advertising, Inc.
5 American Industrial Road
Maryland Heights, MO 63043
314/997-6700

NEW YORK

Long Island

Mr. Asher B. Abelow
President
LONG ISLAND DIRECT MARKETING ASSOCIATION
c/o Abelow Response, Inc.
430 West Merrick Road
Valley Stream, NY 11580
516/825-0013

New York City

Mr. William Carney
President
DIRECT MARKETING CLUB OF NEW YORK
c/o National Business Lists
295 Madison Avenue
New York, NY 10017
212/689-8960

Mr. James W. Prendergast
President
DIRECT MARKETING CREATIVE GUILD
c/o J.W. Prendergast & Associates, Inc.
342 Madison Avenue
New York, NY 10173
212/697-2720

Mr. Douglas Florenzie
FULFILLMENT MANAGEMENT ASSOCIATION
c/o New York Magazine
25 West 43rd Street
New York, NY 10036
212/840-3800

Ms. Jo-Ann Jensen
President
WOMEN'S DIRECT RESPONSE GROUP
c/o Uni-Mail, Inc.
#1 Lincoln Plaza
New York, NY 10023
212/580-3000

OHIO

Cincinnati

Mr. Joe Peter
President
OHIO VALLEY DIRECT MARKETING CLUB
c/o Vortec Corporation
10124 Carver Road
Cincinnati, OH 45242
513/891-7474

Cleveland

Mr. Robert Silverman
Coordinator
DIRECT MARKETING COURSE OF THE CLEVELAND ADVERTISING CLUB
c/o Robert Silverman, Inc.
1375 Euclid Avenue
Cleveland, OH 44115
216/771-6332

Ms. Barbara Hacker
CLEVELAND ADVERTISING CLUB
Statler Office Tower
Cleveland, OH 44115
216/241-4807

PENNSYLVANIA

Philadelphia

Mr. Richard Halpern
President
PHILADELPHIA DIRECT MARKETING CLUB
c/o Woodington Mail Services
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Appendix V

Glossary

by

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Access Time: The time it takes a computer to locate a piece of information in memory or storage and to take action, i.e., the "read" time. Also, the time it takes a computer to store a piece of information and to complete action, i.e., the "write" time.

Action Devices: Items and techniques used in a mailing to initiate the response desired.

Active Buyer: A buyer whose latest purchase was made within the last twelve months. (*See Buyer*).

Active Customer: A term used interchangeably with "active buyer."

Active Member: Any member who is fulfilling the original commitment or who has fulfilled that commitment and has made one or more purchases in the last twelve months.

Active Subscriber: One who has committed for regular delivery of magazines, books or other goods or services for a period of time still in effect.

Actives: Customers on a list who have made purchases within a prescribed time period, usually not more than one year; subscribers whose subscriptions have not expired.

Additions: New names, either of individuals or companies, added to a mailing list.

Add-On Service: Service of Direct Marketing Assn. which gives consumers an opportunity to request that their names be added to mailing lists.

Address Coding Guide (CG): Contains the actual or potential beginning and ending house numbers, block group and/or enumeration district numbers, ZIP Codes, and other geographic codes for all city delivery service streets served by 3,154 post offices located within 6,601 ZIP Codes.

Address Correction Requested: An endorsement which, when printed in the upper left-hand corner of the address portion of the mailing piece (below the return address), authorizes the U.S. Postal Service, for a fee, to provide the known new address of a person no longer at the address on the mailing piece.

A.I.D.A.: The most popular formula for the preparation of direct mail copy. The letters stand for Get Attention, Arouse Interest, Stimulate Desire, Ask for Action.

Alphanumeric: A contraction of "alphabetic" and "numeric." Applies to any coding system that provides for letters, numbers (digits), and special symbols such as punctuation marks. Synonymous with Alphameric.

Assigned Mailing Dates: The dates on which the list user has the obligation to mail a specific list. No other date is acceptable without specific approval of the list owner.

Audience: The total number of individuals reached by a promotion or advertisement.

Audit: Printed report of the counts involved in a particular list or file.

Back End: The activities necessary to complete a mail order transaction once an order has been received and/or the measurement of a buyer's performance after he has ordered the first item in a series offering.

Bangtail: Promotional envelope with a second flap which is perforated and designed for use as an order blank.

Batch Processing: Technique of executing a set of computer programs/selections in batches as opposed to executing each order/selection as it is received. Batches can be created by computer programming or a manual collection of data into groups.

Batched Job: A job that is grouped with other jobs as input to a computing system, as opposed to a transaction job entry where the job is done singly to completion.

Bill Enclosure: Any promotional piece or notice enclosed with a bill, an invoice or a statement not directed toward the collection of all or part of the bill, invoice or statement.

Binary: Involves a selection, choice or condition in which there are two possibilities such as the use of the symbols "0" and "1" in a numbering system.

Bingo Card: A reply card inserted in a publication and used by readers to request literature and samples from companies whose products and services are either advertised or mentioned in editorial columns.

Bit: A single character or elements in a binary number (digit). The smallest element of binary machine language represented by a magnetized spot on a recording surface or a magnetized element of a storage device.

Bounce Back: An offer enclosed with mailings sent to a customer in fulfillment of an order.

BPI (Bytes Per Inch): Characters, represented in bytes, per inch.

Broadcast Media: A direct response source that includes radio, television and cable TV.

Broadside: A single sheet of paper, printed on one side or two, folded for mailing or direct distribution, and opening into a single, large advertisement.

Brochure: Strictly, a high-quality pamphlet, with especially planned layout, typography and illustrations. Term is also used loosely for any promotional pamphlet or booklet.

Bucktag: A separate slip attached to a printed piece containing instructions to route the material to specific individuals.

Bulk Mail: A category of Third Class Mail involving a large quantity of identical pieces but addressed to different names which are specially processed for mailing before delivery to the post office.

Business List: Any compilation or list of individuals or companies based upon a business-associated interest, inquiry, membership, subscription or purchase.

Buyer: One who orders merchandise, books, records, information or services. Unless another modifying word or two is used, it is assumed that a buyer has paid for all merchandise to date.

Burst: To separate continuous form paper into discrete sheets.

Byte: Sequence of adjacent binary digits operated upon as a unit and usually shorter than a computer word. A character is usually considered a byte. (A single byte can contain either two numeric characters or one alphabetic or special character.)

Cash Buyer: A buyer who encloses payment with order.

Cash Rider: Also called "cash up" or "cash option" wherein an order form offers installment terms, but a postscript offers the option of sending full cash payment with order, usually at some saving over the credit price as an incentive.

C/A: Change of address.

Catalog: A book or booklet showing merchandise, with descriptive details and prices.

Catalog Buyer: A person who has bought products or services from a catalog.

Catalog Request (Paid or Unpaid): One who sends for a catalog (prospective buyer). The catalog may be free; there may be a nominal charge for postage and handling, or there may be a more substantial charge that is often refunded or credited on the first order.

Census Tract: Small geographical area established by local committees, and approved by the Census Bureau, which contains a population segment with relatively uniform economic and social characteristics with clearly identifiable boundaries averaging approximately 1,200 households.

Cheshire Label: Specially prepared paper (rolls, fanfold or accordion fold) used to reproduce names and addresses to be mechanically affixed, one at a time, to a mailing piece.

Circulars: General term for printed advertising in any form, including printed matter sent out by direct mail.

Cleaning: The process of correcting and/or removing a name and address from a mailing list because it is no longer correct or because the listing is to be shifted from one category to another.

Cluster Selection: A selection routine based upon taking a group of names in series, skipping a group, taking another group, etc. E.g.—a cluster selection on an nth name basis might be the first 10 out of every 100 or the first 125 out of 175, etc.; a cluster selection using limited ZIP Codes might be the first 200 names in each of the specified ZIP Codes, etc.

Coding: (1) Identifying devices used on reply devices to identify the mailing list or other source from which the address was obtained. (2) A structure of letters and numbers used to classify characteristics of an address on a list.

Collate: (1) To assemble individual elements of a mailing in sequence for inserting into a mailing envelope. (2) A program which combines two or more ordered files to produce a single ordered file. Also the act of combining such files. Synonymous with merge as in Merge-Purge.

Commission: A percentage of sale, by prior agreement, paid to the list broker, list manager, or other service arm for their part in the list usage.

Compile: The process by which a computer translates a series of instructions written in a programming language into actual machine language.

Compiled List: Names and addresses derived from directories, newspapers, public records, retail sales slips, trade show registrations, etc., to identify groups of people with something in common.

Compiler: Organization which develops lists of names and addresses from directories, newspapers, public records, registrations and other sources, identifying groups of people, companies or institutions with something in common.

Completed Cancel: One who has completed a specific commitment to buy products or services before cancelling.

Comprehensive: Complete and detailed layout for a printed piece. Also: "Comp," "Compre."

Computer: Data processor that can perform substantial computation, without intervention by a human.

Computer Compatibility: Ability to interchange the data or programs of one computer system with one or more other computers.

Computer Letter: Computer-printed message providing personalized, fill-in information from a source file in pre-designated positions. May also be full-printed letter with personalized insertions.

Computer Personalization: Printing of letters or other promotional pieces by a computer using names, addresses, special phrases, or other information based on data appearing in one or more computer records. The objective is to use the information in the computer record to tailor the promotional message to a specific individual.

Computer Program: Series of instructions or statements prepared to achieve a certain result.

Computer Record: All of the information about an individual, company, or transaction stored on a specific magnetic tape or disc.

Computer Service Bureau: An internal or external facility providing general or specific data processing services.

Consumer List: A list of names (usually at home address) compiled, or resulting, from a common inquiry or buying activity indicating a general or specific buying interest.

Continuity Program: Products or services bought as a series of small purchases, rather than all at one time. Generally based on a common theme and shipped at regular or specific time intervals.

C.T.O.: Contribution to overhead (profit).

Contributor List: Names and addresses of persons who have given to a specific fund raising effort. (*See Donor List*).

Controlled Circulation: Distribution at no charge of a publication to individuals or companies on the basis of their titles or occupations. Typically, recipients are asked from time to time to verify the information that qualifies them to receive the publication.

Controlled Duplication: A method by which names and addresses from two or more lists are matched (usually by computer) in order to eliminate or limit extra mailings to the same name and address.

Continuous Form: Paper forms designed for computer printing that are folded, and sometimes perforated, at predetermined vertical measurements. These may be letters, vouchers, invoices, cards, etc.

Conversion: (1) Process of changing from one method of data processing to another, or from one data processing system to another. Synonomous with Reformatting. (2) To secure specific action such as a purchase or contribution from a name on a mailing list or as a result of an inquiry.

Co-op Mailing: A mailing of two or more offers included in the same envelope or other carrier, with each participating mailer sharing mailing costs according to some predetermined formula.

C.P.I. (Cost Per Inquiry): A simple arithmetical formula derived by dividing the total cost of a mailing or an advertisement by the number of inquiries received.

C.P.O. (Cost Per Order): Similar to Cost Per Inquiry except based on actual orders rather than inquiries.

C.P.M. (Cost Per Thousand): Refers to total cost-per-thousand pieces of direct mail "in the mail."

Coupon: Part of an advertising promotion piece intended to be filled in by the inquirer or customer and returned to the advertiser.

Coupon Clipper: One who has given evidence of

responding to free or nominal-cost offers out of curiosity, with little or no serious interest or buying intent.

Deadbeat: One who has ordered a product or service and, without just cause, hasn't paid for it.

Decoy: A unique name especially inserted in a mailing list for verifying list usage.

Delinquent: One who has fallen behind or has stopped scheduled payment for a product or service.

Delivery Date: The date a list user or a designated representative of the list user receives a specific list order from the list owner.

Demographics: Socio-economic characteristics pertaining to a geographic unit (county, city, sectional center, ZIP Code, group of households, education, ethnicity, income level, etc.).

Direct Mail Advertising: Any promotional effort using the Postal Service, or other direct delivery service, for distribution of the advertising message.

Direct Response Advertising: Advertising, through any medium, designed to generate a response by any means (such as mail, telephone, or telegraph) that is measurable.

Donor List: A list of persons who have given money to one or more charitable organizations. (*See Contributor List*)

Doubling Day: A point in time established by previous experience when 50% of all returns to a mailing will normally be received.

Dummy: (1) A mock-up giving a preview of a printed piece, showing placement and nature of the material to be printed. (2) A fictitious name with a mailable address inserted into a mailing list to check on usage of that list.

Dupe (Duplication): Appearance of identical or nearly identical entities more than once.

Duplication Elimination: A specific kind of controlled duplication which provides that: no matter how many times a name and address is on a list, and how many lists contain that name and address, it will be accepted for mailing only once by that mailer. Also referred to as "dupe elimination."

Editing Rules: Specific rules used in preparing name and address records that treat all elements the same way at all times. Also, the rules for rearranging, deleting, selecting, or inserting any needed data, symbols and/or characters.

Envelope Stuffer: Any advertising or promotional material enclosed in an envelope with business letters, statements or invoices.

Exchange: An arrangement whereby two mailers exchange equal quantities of mailing list names.

Expire: A former customer who is no longer an active buyer.

Expiration: A subscription which is not renewed.

Expiration Date: Date a subscription expires.

Field: Reserved area in a computer which services a similar function in all records of the file. Also, location on magnetic tape or disc drive which has definable limitations and meaning: e.g., Position 1-30 is the Name Field.

File Maintenance: The activity of keeping a file up-to-date by adding, changing, or deleting data (all or part). Synonymous with List Maintenance. (*See Update*)

Fill-In: A name, address or other words added to a preprinted letter.

First-Time Buyer: One who buys a product or service from a specific company for the first time.

Fixed Field: A way of laying out, or formatting, list information in a computer file that puts every piece of data in a specific position relative to every other piece of data, and limits the amount of space assigned to that data. If a piece of data is missing from an individual record, or if its assigned space is not completely used, that space is not filled (every record has the same space and the same length). Any data exceeding its assigned space limitation must be abbreviated or contracted.

Former Buyer: One who has bought one or more times from a company with no purchase in the last twelve months.

Free-Standing Insert: A promotional piece loosely inserted or nested in a newspaper or magazine.

Frequency: The number of times an individual has ordered within a specific period of time. (*See Monetary Value* and *Recency*)

Friend-Of-A-Friend (Friend Recommendation): The result of one party sending in the name of someone considered to be interested in a specific advertiser's product or service; a third party inquiry.

Front End: Activities necessary, or the measurement of direct marketing activities, leading to an order or a contribution.

Fund Raising List: Any compilation or list of individuals or companies based on a known contribution to one or more fund raising appeals.

Geographics: Any method of subdividing a list, based on geographic or political subdivisions (ZIP Codes, sectional centers, cities, counties, states, regions).

Gift Buyer: One who buys a product or service for another.

Gimmick: Attention-getting device, usually dimensional, attached to a direct mail printed piece.

Guarantee: A pledge of satisfaction made by the seller to the buyer and specifying the terms by which the seller will make good his pledge.

Hot-Line List: The most recent names available on a specific list, but no older than three months. In any event, use of the term "hot-line" should be further modified by "weekly," "monthly", etc.

House List: Any list of names owned by a company as a result of compilation, inquiry or buyer action, or acquisition, that is used to promote that company's products or services.

House-List Duplicate: Duplication of name-and-address records between the list user's own lists and any list being mailed by him on a one-time use arrangement.

Inquiry: One who has asked for literature or other information about a product or service. Unless otherwise stated, it is assumed no payment has been made for the literature or other information. (*Note: A Catalog request is generally considered a specific type of inquiry*).

Installment Buyer: One who orders goods or services and pays for them in two or more periodic payments after their delivery.

Inter-List Duplicate: Duplication of name and address records *between* two or more lists, other than house lists, being mailed by a list user.

Intra-List Duplication: Duplication of name and address records *within* a given list.

K: Used in reference to computer storage capacity, generally accepted as 1,000. Analogous to M in the direct marketing industry.

Key: One or more characters within a data group that can be used to identify it or control its use. Synonymous with Key Code in mailing business.

Key Code (Key): A group of letters and/or numbers, colors, or other markings, used to measure specific effectiveness of media, lists, advertisements, offers, etc., or any parts thereof.

Keyline: Can be any one of many partial or complete descriptions of past buying history coded to include name-and-address information and current status.

KBN (Kill Bad Name): Action taken with undeliverable addresses; i.e., nixies. You KBN a nixie.

Label: Piece of paper containing the name and address of the recipient which is applied to a mailing for address purposes.

Layout: (1) Artist's sketch showing relative positioning of illustrations, headlines and copy. (2) Positioning subject matter on a press sheet for most efficient production.

Letterhead: The printing on a letter that identifies the sender.

Lettershop: A business organization that handles the mechanical details of mailings such as addressing, imprinting, collating, etc. Most lettershops offer some printing facilities and many offer some degree of creative direct mail services.

List (Mailing List): Names and addresses of individuals and/or companies having in common a specific interest, characteristic or activity.

List Broker: A specialist who makes all necessary arrangements for one company to use the list(s) of another company. A broker's services may include most, or all, of the following: research, selection, recommendation and subsequent evaluation.

List Buyer: Technically, this term should apply only to one who actually buys mailing lists. In practice, however, it is usually used to identify one who orders mailing lists for one-time use; a List User or Mailer.

List Cleaning: The process of correcting and/or removing a name and/or address from a mailing list because it is no longer correct. Term is also used in the identification and elimination of house list duplication.

List Compiler: One who develops lists of names and addresses from directories, newspapers, public records, sales slips, trade show registrations and other sources for identifying groups of people or companies with something in common.

List Exchange: A barter arrangement between two companies for the use of a mailing list(s). May be: list for list, list for space, or list for comparable value—other than money.

List Maintenance: Any manual, mechanical or electronic system for keeping name-and-address records (with or without other data) up-to-date at any specific point(s) in time.

List Manager: One who, as an employee of a list owner or as an outside agent, is responsible for the use, by others, of a specific mailing list(s). The list manager generally serves the list owner in several or all of the following capacities: list maintenance (or advice thereon), list promotion and marketing, list clearance and record keeping, collecting for use of the list by others.

List Owner: One who, by promotional activity or compilation, has developed a list of names having something in common; or one who has *purchased* (as opposed to rented, re-

produced, or used on a one-time basis) such a list from the developer.

List Rental: An arrangement whereby a list owner furnishes names to a mailer, together with the privilege of using the list on a one-time basis only (unless otherwise specified in advance). For this privilege, the list owner is paid a royalty by the mailer. ("List Rental" is the term most often used although "List Reproduction" and "List Usage" more accurately describe the transaction, since "Rental" is not used in the sense of its ordinary meaning of leasing property.)

List Royalty: Payment to list owners for the privilege of using their names on a one-time basis.

List Sample: A group of names selected from a list in order to evaluate the responsiveness of that list.

List Segmentation: (*See List Selection*).

List Selection: Characteristics used to define smaller groups within a list (essentially, lists within a list). Although very small, select groups may be very desirable and may substantially improve response; increased costs, however, often render them impractical.

List Sequence: The order in which names and addresses appear in a list. While most lists today are in ZIP Code sequence, some are alphabetical by name within the ZIP Code; others are in carrier sequence (postal delivery); and still others may (or may not) use some other order within the ZIP Code. Some lists are still arranged alphabetically by name or chronologically, and in many other variations or combinations.

List Sort: Process of putting a list in a specific sequence or from another sequence or no sequence.

List Test: Part of a list selected to try to determine the effectiveness of the entire list. (*See List Sample*)

List User: One who uses names and addresses on someone else's list as prospects for the user's product or service; similar to Mailer.

Load Up: Process of offering a buyer the opportunity of buying an entire series at one time after the customer has purchased the first item in that series.

Magnetic Tape: A storage device for electronically recording and reproducing, by use of a computer, defined bits of data.

Mail Date: Date a list user, by prior agreement with the list owner, is obligated to mail a specific list. No other date is acceptable without specific approval of the list owner.

Mailer: (1) A direct mail advertiser who promotes a product or service using lists of others or house lists or both. (2) A printed direct mail advertising piece. (3) A folding carton, wrapper or tube used to protect materials in the mails.

Mailgram: A combination telegram-letter, with the telegram transmitted to a postal facility close to the addressee and then delivered as first class mail.

Mailing Machine: A machine that attaches labels to mailing pieces and otherwise prepares such pieces for deposit in the postal system.

Mail Order Action Line (MOAL): A service of Direct Marketing Association which assists consumers in resolving problems with mail order purchases.

Mail Order Buyer: One who offers, and pays for, a product or service through the mail. (Generally, an order telephoned in response to a direct response advertisement is considered a direct substitute for an order sent through postal channels.)

Mail Preference Service (MPS): A service of Direct Marketing Association wherein consumers can request to have their names removed from, or added to, mailing lists. These names are made available to both members and non-members of the Association.

Master File: File that is of a permanent nature or regarded in a particular job as authoritative, or one that contains all sub files.

Match: A direct mail term used to refer to the typing of addresses, salutations or inserts onto letters with other copy imprinted by a printing process.

Match Code: A code determined either by the creator or the user of a file for matching records contained in another file.

MOAL: Acronym for Mail Order Action Line.

Monetary Value: Total expenditures by a customer during a specific period of time, generally twelve months.

MPS: Acronym for Mail Preference Service.

Multiple Buyer: One who has bought two or more times (not one who has bought two or more items, one time only); also a Multi-Buyer or Repeat Buyer.

Multiple Regression: Statistical technique used to measure the relationship between responses to a mailing with census demographics and list characteristics of one or more selected mailing lists. Used to determine the best types of people/areas to mail. This technique can also be used to analyze customers, subscribers, etc.

Name: Single entry on a mailing list.

Name Acquisition: Technique of soliciting a response to obtain names and addresses for a mailing list.

Name-Removal Service: Portion of Mail Preference Service offered by Direct Marketing Association wherein a consumer is sent a form which, when filled in and returned, constitutes a request to have the individual's name removed from all mailing lists used by participating members of the Association and other direct mail users.

Negative Option: A buying plan in which a customer or club member agrees to accept and pay for products or services announced in advance at regular intervals *unless* the individual notifies the company, within a reasonable time after announcement not to ship the merchandise. (*See Federal Trade Commission Regulations in Chapter 12*).

Nesting: Placing one enclosure within another before inserting into a mailing envelope.

Net Name Arrangement: An agreement, at the time of ordering or before, whereby the list owner agrees to accept adjusted payment for less than the total names shipped to the list user. Such arrangements can be for a percentage of names shipped or names actually mailed (whichever is greater) or for only those names actually mailed (without a percentage limitation). They can provide for a running charge or not.

Nixie: A mailing piece returned to a mailer (under proper authorization) by the Postal Service because of an incorrect, or undeliverable, name and address.

No-Pay: One who has not paid (wholly or in part) for goods or services ordered. "Uncollectable," "Deadbeat," and "Delinquent" are often used to describe the same person.

North/South Labels: Mailing labels that read from top to bottom and can be affixed with Cheshire equipment.

Novelty Format: An attention-getting direct mail format.

Nth Name Selection: A fractional unit that is repeated in sampling a mailing list. For example, in an "every tenth" sample, you would select the 1st, 11th, 21st, 32nd, etc. records—or the 2nd, 12th, 22nd, 32nd, etc., records, and so forth.

OCR (Optical Character Recognition): Machine identification of printed characters through use of light-sensitive devices.

Offer: The terms promoting a specific product or service.

One-Time Buyer: A buyer who has not ordered a second time from a given company.

One-Time Use Of A List: An intrinsic part of the normal list usage, list reproduction, or list exchange agreement in which it is understood that the mailer will not use the names on the list more than one time without specific prior approval of the list owner.

Open Account: A customer record that, at a specific time, reflects an unpaid balance for goods and services ordered, without delinquency.

Optical Scanner: An input device that optically reads a line of printed characters and converts each character into its electronic equivalent for processing.

Order Blank Envelopes: An order form printed on one side of a sheet, with a mailing address on the reverse. The recipient simply fills in the order, folds and seals like an envelope.

Order Card: A reply card used to initiate an order by mail.

Order Form: A printed form on which a customer can provide information to initiate an order by mail. Designed to be mailed in an envelope.

Package: A term used to describe all of the assembled enclosures (parts or elements) of a mailing effort.

Package Insert: Any promotional piece included in a product shipment. It may be for different products (or refills and replacements) from the same company or for products and services of other companies.

Package Test: A test of part or all of the elements of one mailing piece against another.

Paid Cancel: One who completes a basic buying commitment, or more, before cancelling the commitment (*See Completed Cancel*).

Paid Circulation: Distribution of a publication to individuals or organizations which have paid for a subscription.

Paid During Service: Term used to describe a method of paying for magazine subscriptions in installments, usually weekly or monthly, and, usually, collected in person by the original sales person or a representative of that company.

Peel-Off Label: A self-adhesive label attached to a backing sheet which is attached to a mailing piece. The label is intended to be removed from the mailing piece and attached to an order blank or card.

Penetration: Relationship of the number of individuals or families on a particular list (by state, ZIP Code, SIC, etc.) compared to the total number possible.

Personalizing: Individualizing of direct mail

pieces by adding the name or other personal information about the recipient.

Phone List: Mailing list compiled from names listed in telephone directories.

Piggy-Back: An offer that hitches a free ride with another offer.

Poly Bag: Transparent polyethylene bag used in place of envelopes for mailing.

Pop-Up: A printed piece containing a paper construction pasted inside a fold and which, when the fold is opened, "pops up" to form a three-dimensional illustration.

Positive Option: A method of distributing products and services incorporating the same advance notice technique as *Negative Option* but requiring a specific order each time from the member or subscriber. Generally, it is more costly and less predictable than Negative Option.

Postal Service Prohibitory Order: A communication from the Postal Service to a company indicating that a specific person and/or family considers the company's advertising mail to be pandering. The Order requires the company to remove from its own mailing list and from any other lists used to promote that company's products or services all names listed on the Order. Violation of the Order is subject to fine and imprisonment. Names listed on the Order are to be distinguished from those names removed voluntarily by the list owner at an individual's request.

Post Card: Single sheet self-matters on card stock.

Post Card Mailers: Booklet containing business reply cards which are individually perforated for selective return, to order products or obtain information.

Premium: An item offered to a buyer, usually free or at a nominal price, as an inducement to purchase or obtain for trial a product or service offered via mail order.

Premium Buyer: One who buys a product or service to get another product or service (usually free or at a special price), or who responds to an offer of a special product (premium) on the package or label (or sometimes in the advertising) of another product.

Preprint: An advertising insert printed in advance and supplied to a newspaper or magazine for insertion.

Private Mail: Mail handled by special arrangement outside the Postal Service.

Program: A sequence of steps to be executed by the computer to solve a given problem or achieve a certain result.

Programming: Design, writing and testing of a program.

Prospect: A name on a mailing list considered to be a potential buyer for a given product or service but who has not previously made such a purchase.

Prospecting: Mailing to get leads for further sales contact rather than to make direct sales.

Protection: The amount of time, before and after the assigned mailing date, a list owner will not allow the same names to be mailed by anyone other than the mailer cleared for that specific date.

Psychographics: Any characteristics or qualities used to denote the lifestyle(s) or attitude(s) of custmers and prospective customers.

Publisher's Letter: A second letter enclosed in a mailing package to stress a specific selling point.

Purge: The process of eliminating duplicates and/or unwanted names and addresses from one or more lists.

Pyramiding: A method of testing mailing lists, in which one starts with a small quantity and, based on positive indications, follows with increasingly larger quantities of the list balance until the entire list is mailed.

Questionnaire: A printed form to a specified audience to solicit answers to specific questions.

Random Access: An access mode in which records are obtained from, or placed into, a mass storage file in a non-sequential manner so that any record can be rapidly accessed. Synonymous with Direct Access.

Recency: The latest purchase or other activity recorded for an individual or company on a specific customer list. (*See Frequency* and *Monetary Value*).

Reformatting: Changing a magnetic tape format from one arrangement to another, more usable format. Synonymous with Conversion (list or tape).

Renewal: A subscription that has been renewed prior to, or at, expiration time or within six months thereafter.

Repeat Buyer: (*See Multiple Buyer*).

Rental: (*See List Rental*).

Reply Card: A sender-addressed card included in a mailing on which the recipient may indicate his response to the offer.

Reply-O-Letter: One of a number of patented direct mail formats for facilitating replies from prospects. It features a die-cut opening

on the face of the letter and a pocket on the reverse. An addressed reply card is inserted in the pocket and the name and address thereon shows through the die-cut opening.

Reproduction Right: Authorization by a list owner for a specific mailer to use that list on a one-time basis.

Response Rate: Percent of returns from a mailing.

Return Envelopes: Addressed reply envelopes, either stamped or unstamped—as distinguished from business reply envelopes which carry a postage payment guarantee—included with a mailing.

Return Postage Guaranteed: A legend imprinted on the address face of envelopes or other mailing pieces when the mailer wishes the Postal Service to return undeliverable third class bulk mail. A charge equivalent to the single piece, third class rate will be made for each piece returned. (*See List Cleaning*).

Return Requested: An indication that a mailer will compensate the Postal Service for return of an undeliverable mailing piece.

Returns: Responses to a direct mail program.

RFMR: Acronym for Recency-Frequency-Monetary Value Ratio, a formula used to evaluate the sales potential of names on a mailing list.

Rollout: To mail the remaining portion of a mailing list after successfully testing a portion of that list.

R.O.P. (Run of Paper or Run of Press): Usually refers to color printing which can be placed on any page of a newspaper or magazine.

Rough: Dummy or layout in sketchy form with a minimum of detail.

Royalties: Sum paid per unit mailed or sold for the use of a list, imprimatur, patent, etc.

Running Charge: The price a list owner charges for names run or passed, but not used by a specific mailer. When such a charge is made, it is usually to cover extra processing costs. However, some list owners set the price without regard to actual cost.

Run Of Paper: (1) A term applied to color printing on regular paper and presses, as distinct from separately printed sections made on special color presses. (2) Sometimes used to describe an advertisement positioned by publisher's choice—in other than a preferred position—for which a special charge is made.

Salting: Deliberate placing of decoy or dummy names in a list to trace list usage and delivery. (*See Decoy and Dummy*).

Sample Buyer: One who sends for a sample product, usually at a special price or for a small handling charge, but sometimes free.

Sample Package (Mailing Piece): An example of the package to be mailed by the list user to a particular list. Such a mailing piece is submitted to the list owner for approval prior to commitment for one-time use of that list. Although a sample package may, due to time pressure, differ slightly from the actual package used, the list user agreement usually requires the user to reveal any material differences when submitting the sample package.

Scented Inks: Printing inks to which a fragrance has been added.

Sectional Center (SCF or SCF Center): A Postal Service distribution unit comprising different Post Offices whose ZIP Codes start with the same first three digits.

Selection Criteria: Definition of characteristics that identify segments or sub-groups within a list.

Self-Cover: A cover of the same paper as the inside text pages.

Self-Mailer: A direct mail piece mailed without an envelope.

Sequence: An arrangement of items according to a specified set of rules or instructions. Refers generally to ZIP Codes or customer number sequence.

SIC (Standard Industrial Classification): Classification of businesses, as defined by the U.S. Department of Commerce.

Software: A set of programs, procedures and associated documentation concerned with operation of a data processing system.

Solo Mailing: A mailing promoting a single product or a limited group of related products. Usually it consists of a letter, brochure and reply device enclosed in an envelope.

Source Code: Unique alphabetical and/or numeric identification for distinguishing one list or media source from another. (*See Key Code*).

Source Count: The number of names and addresses, in any given list, for the media (or list sources) from which the names and addresses were derived.

Split Test: Two or more samples from the same list—each considered to be representative of the entire list—used for package tests or to test the homogeneity of the list.

State Count: The number of names and addresses, in a given list, for each state.

Statement Stuffer: A small, printed piece designed to be inserted in an envelope carrying a customer's statement of account.

Step Up: The use of special premiums to get a mail order buyer to increase his unit of purchase.

Stock Art: Art sold for use by a number of advertisers.

Stock Cut: Printing engravings kept in stock by the printer or publisher for occasonal use.

Stock Formats: Direct mail formats with preprinted illustrations and/or headings to which an advertiser adds his own copy.

Stopper: Advertising slang for a striking headline or illustration intended to attract immediate attention.

Stuffer: Advertising enclosures placed in other media—i.e., newspapers, merchandise packages, mailings for other products, etc.

Subscriber: Individual who has paid to receive a periodical.

Swatching: Attaching samples of material to a printed piece.

Syndicated Mailing: Mailing prepared for distribution by firms other than the manufacturer or syndicator.

Syndicator: One who makes available prepared direct mail promotions for specific products or services to a list owner for mailing to his own list. Most syndicators also offer product fulfillment services.

Tabloid: A preprinted advertising insert of four or more pages, usually about half the size of a regular newspaper page, designed for inserting into a newspaper.

Tape Density: The number of bits of information (bytes) that can be included in each of a specific magnetic tape—e.g., 556 BPI, 800 BPI, 1600 BPI, etc.

Tape Dump: A printout of data on a magnetic tape to be edited and checked for correctness, readability, consistency, etc.

Tape Layout: A simple "map" of the data included in each record and its relative, or specific, location.

Tape Record: All the information about an individual or company contained on a specific magnetic tape.

Teaser: An advertisement or promotion planned to excite curiosity about a later advertisement or promotion.

Telecommunications: Data transmission between a computer system and remotely located devices via a unit that performs the necessary format conversion and controls the rate of transmission over telephone lines, microwaves, etc. Synonymous with Transceive.

Terminal: Any mechanism which can transmit and/or receive data through a system or communications network.

Test Panel: A term used to identify each of the parts or samples in a split test.

Test Tape: A selection of representative records within a mailing list that enables a list user or service bureau to prepare for reformatting or converting the list to a form more efficient for the user.

Throwaway: An advertisement or promotional piece intended for widespread free distribution. Generally printed on inexpensive paper stock, it is most often distributed by hand to passersby or from house-to-house.

Tie-In: Cooperative mailing effort involving two or more advertisers.

Til Forbid: An order for continuing service which is to continue until specifically cancelled by the buyer. Also "TF."

Title: A designation before (prefix) or after (suffix) a name to more accurately identify an individual. (Prefixes—Mr., Mrs., Dr., Sister, etc.; Suffixes—M.D., Jr., President, Sales Manager, etc.)

Time Sharing: Multiple utilization of available computer time, often via terminals, usually shared by different organizations.

Tip-On: An item glued to a printed piece.

Token: An involvement device, often consisting of a perforated portion of an order card designed to be removed from its original position and placed in another designated area on the order card, to signify a desire to purchase the product or service offered.

Town Marker: A symbol used to identify the end of a mailing list's geographical unit. (Originated for "towns" but now used for ZIP Codes, Sectional Centers, etc.).

Traffic Builder: A direct mail piece intended primarily to attract recipients to the mailer's place of business.

Trial Buyer: One who buys a short-term supply of a product, or buys the product with the understanding that it may be examined, used, or tested for a specified time before deciding whether to pay for it or to return it.

Trial Subscriber: A person ordering a publication or service on a conditional basis. The condition may relate to: delaying payment, the right to cancel, a shorter than normal term and/or a special introductory price.

Uncollectable: One who hasn't paid for goods and services at the end of a normal series of collection efforts.

Unit of Sale: Description of the average dollar amount spent by customers on a mailing list.

Universe: Total number of individuals that might be included on a mailing list; all of those fitting a single set of specifications.

Update: Recent transactions and current infor-

mation added to the Master (main) list to reflect the current status of each record on the list.

Up Front: Securing payment for a product offered by mail order before the product is sent.

UPS: Acronym for United Parcel Service.

Variable Field: A way of laying out for formatting list information that assigns a specific sequence to the data, but doesn't assign it specific positions. While this method conserves space on magnetic tape, it is generally more difficult to work with.

Verification: The process of determining the validity of an order by sending a questionnaire to the customer.

WATS: Acronym for Wide Area Telephone Service. A service providing a special line allowing calls within a certain zone, on a direct dialing basis, for a flat monthly charge.

White Mail: Incoming mail that is not on a form sent out by the advertiser. All mail other than orders and payments.

White Envelope: Envelope with a die-cut portion on the front that permits viewing the address printed on an enclosure. The "die cut window" may or may not be covered with a transparent material.

Wing Mailer: Label-affixing device that uses strips of paper on which addresses have been printed.

ZIP Code: A group of five digits used by the U.S. Postal Service to designate specific post offices, stations, branches, buildings or large companies.

ZIP Code Count: The number of names and addresses in a list, within each ZIP Code.

ZIP Code Sequence: Arranging names and addresses in a list according to the numeric progression of the ZIP Code in each record. This form of list formatting is mandatory for mailing at bulk third class mail rates, based on the sorting requirements of Postal Service regulations.

Appendix VI

Books/Publications/Directories on Direct Marketing

Books marked with an asterisk (*) may be purchased directly through the DMA Publications Division. Most of the materials listed here should be available in public library business reference sections.

***AIS 800 REPORT**
Published by Advertising Information Services, 353 Lexington Ave., New York, NY 10017. $99/yr. Published twice-monthly. Available through DMA.

ACRONYMS AND INITIALISMS DIRECTORY
Fifth Edition. Published by Gale Research Company, Book Tower, Detroit, MI 48226. $38.50. Published every 3 years. Annual supplements published between editions.

ADDRESS ABBREVIATIONS
Publication 59, January 1976. Published by U.S. Postal Service. Available through local postmasters. Free of charge.

ADVERTISING
By James S. Norris. Published by Reston Publishing Company, Inc. A Prentice-Hall Company, 11480 Sunset Hills Road, Reston, VA 22090. $9.95.

***ADVERTISING AGE**
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. Weekly. $50.00 for annual subscription. Available through DMA.

***ADVERTISING COMPLIANCE SERVICE**
Published by Meckler Publishing, 520 Riverside Ave., Westport, CT 06880. Newsletter and reference service on government, industry and media restrictions in advertising. Basic reference volume plus 1-year subscription to Newsletter/Update issued twice-monthly. $395/yr. Available through DMA.

ADVERTISING PRODUCTION PLANNING AND COPY PREPARATION FOR OFFSET PRINTING
By H. C. Latimer. Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $9.50

ADVERTISING PURE AND SIMPLE
By Hank Seiden. Primarily about television advertising. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $12.95

ADVERTISING THEORY AND PRACTICE
Ninth Edition, by C. H. Sandage, Ph.D & Vernon Fryburger, Ph.D. Published by Richard D. Irwin, Inc., South Holland, IL 60473. $14.95.

***ADWEEK**
Published by ASM Communications, 820 2nd Ave., New York, NY 10017. $40/1 yr.; $70/2 yrs. for each edition. Published in five regional editions: East, Southeast, Midwest, Southwest and West. Weekly. Available through DMA.

AGENT DIRECTORY
Directory of over 500 manufacturers' representatives specializing in industrial products. Published by Black-Russell-Morris, 2700 Route 22, Union, NJ 07083. Free of charge.

THE ALMANAC OF AMERICAN POLITICS
Published by E. P. Dutton, 2 Park Avenue, New York, NY 10016. $7.95.

AMERICAN REGISTER OF EXPORTERS & IMPORTERS
Lists over 25,000 U.S. exporters and importers, classified by products, banks in world trade and more. Available through B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $42.00.

***BETTER BROCHURES, CATALOGS AND MAILING PIECES**
By Jane Maas. Published by St. Martin's Press, 175 Fifth Ave., New York, NY 10010. $9.95. Available through DMA.

***THE BUDDY PITCH — HOW TO MAKE IT WORK**
By Jess Clarke. Published by DMA. $8.00. Available through DMA.

***BUSINESS/INDUSTRIAL DIRECT MARKETING MONOGRAPH**
Published by DMA. $29.95 to members; $39.95 to non-members. Available through DMA.

***BUSINESS MAILERS REVIEW**
Published by Van H. Seagraves, 1813 Shepherd St., NW, Washington, DC 20011. Twice monthly, $84 per year. Available through DMA.

***CABLE/VIDEOTEX: A COMPENDIUM FOR DIRECT MARKETERS MONOGRAPH**
Published by DMA. $39.95 to members; $49.95 to non-members. Available through DMA.

***CAREER DEVELOPMENT PROGRAM**
By George Wiedemann. Published by DMA. Individual study program on direct marketing. $375.00. Available through DMA.

***CATALOG COPY — THE LONG AND SHORT OF IT**
By Jane Corcillo. Published by DMA. $8.00. Available through DMA.

***THE CATALOG MARKETER**
Published by Maxwell Sroge Publishing Co., The Sroge Bldg., 731 N. Cascade Ave., Colorado Springs, CO 80903. Twice-monthly. $115/yr. U.S., $135/yr. Foreign. Available through DMA.

THE CONGRESSIONAL DIRECTORY
Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Hardbound—$8.50. Paperbacks—$6.50

THE CONGRESSIONAL QUARTERLY
Published by the Congressional Quarterly, Inc. 1414 22nd Street, N.W., Washington, DC 20037. $558.00

CONGRESSIONAL RECORD
Daily compendium of all the proceedings in Congress. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $45 for annual subscription.

THE CONGRESSIONAL STAFF DIRECTORY
Charles B. Brownson, Publisher and Editor, P.O. Box 62, Mount Vernon, VA 22121, $19.50.

CUSTOMER SERVICE MANUAL
By Benjamin I. French, Jr. Samples of customer service letters. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $14.95.

***DMA FACT BOOK ON DIRECT MARKETING 1983 STATISTICAL UPDATE**
Published by DMA. This handbook is a unique comprehensive source of the current facts, figures and background on direct marketing in the U.S. $29.95 for members/$39.95 for non-members. Available through DMA.

DM NEWS
Published by DM News Corporation, 19 W. 21st St., New York, NY 10010. Monthly. Free to qualified direct marketers.

***DIRECT MAGAZINE**
Published by Direct Magazine Associates, 60 E. 42nd Street, New York, NY 10165. $12/1 yr; $24/2 yrs. Bi-monthly. Available through DMA.

***DIRECT MAIL ADVERTISING & SELLING FOR RETAILERS**
Chapters written by 28 professionals. Published by National Retail Merchants Association, 100 West 31st Street, New York, NY 10001. $19.95. Available through DMA.

DIRECT MAIL & DIRECT RESPONSE PROMOTION
By Christian Brann, Marketing Text Series. Direct marketing as practiced in the United Kingdom. Published by Kogan Page Ltd., Grays Inn Road, London W.C. 1, England.

***DIRECT MAIL AND MAIL ORDER HANDBOOK**
Third Edition, by Richard S. Hodgson. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $57.50. Available through DMA.

DIRECT MAIL LIST RATES & DATA
Published by Standard Rate and Data Service, Inc., 5201 Old Orchard Road, Skokie, IL 60076. Twice yearly. $65.00 for annual subscription.

***DIRECT MARKETING MAGAZINE**
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $33.00 annually or included with DMA membership. Monthly. Available through DMA.

***DIRECT MARKETING: STRATEGY, PLANNING, EXECUTION**
By Edward L. Nash. Published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, NY 10019. $24.95. Available through DMA.

***THE DIRECT MARKETING MARKET PLACE 1983**
By Edward Stern. Published by Hilary House Publishers, 1033 Channel Drive, Hewlett Harbor, NY 11557. $48.00. Available through DMA.

***THE DIRECT MARKETER'S LEGAL ADVISER**
Published by McGraw-Hill Book Co., 1221 Ave. of the Americas, New York, NY 10020. $24.95. Available through DMA.

***DIRECT RESPONSE MARKETING TO SCHOOLS NEWSLETTER**
Published by School Market Research Institute, P.O. Box 160, Chester, CT 06412. Published monthly. $69.00. Available through DMA.

DIRECTORY OF BUSINESS FORMS COMPANIES: WHO THEY ARE, WHAT THEY MAKE
By the staff of Business Forms Reporter. Published by North American Publishing Company, 134 N. 13th Street, Philadelphia, PA 19107. $47.50.

***DIRECTORY OF MAILING LIST HOUSES**
Tenth Edition. Published by B. Klein Publications, P. O. Box 8503, Coral Springs, FL 33065. $30.00. Available through DMA.

***DIRECTORY OF MAIL ORDER CATALOGS**
Published by Richard Gottlieb, Grey House Publishing, 360 Park Ave., South, New York, NY 10013. $85.00 soft-cover. Available through DMA.

DIRECTORY OF MANUFACTURERS' REPRESENTATIVES
15,000 manufacturers' domestic and export representatives in U.S. and Canada, with products carried and area covered. Published by Manufacturers Agent Publishing Company, 663 Fifth Avenue, New York, NY 10022. $37.50.

DIRECTORY OF POST OFFICES
Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $5.55.

DIRECTORY OF SHOP-BY-MAIL BARGAIN SOURCES
Margaret A. Boyd and Sue Scott-Martin, eds. Published by Pilot Brooks, 347 Fifth Avenue, New York, NY 10016. Lists seven hundred firms that offer consumer goods and services by mail. $2.95.

***DIRECT RESPONSE BROADCAST MONOGRAPH**
Published by DMA. $21.95 to members; $24.95 to non-members. Available through DMA.

***DIRECT RESPONSE PRINT SPACE MONOGRAPH**
Published by DMA. $21.95 to members; $24.95 to non-members. Available through DMA.

DOMESTIC MAIL MANUAL
This is the replacement for the *Postal Manual*—written in a clearer style. It is an essential document for all mailers since it outlines all postal regulations pertaining to the preparations of mail, rates, classifications, etc.

Published by the United States Postal Service. Copies may be obtained for $17.00 from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, 20402. Purchasers of the Manual will also receive any subsequent revisions of material in the manual.

DO'S AND DON'TS IN ADVERTISING COPY
Published by Council of Better Business Bureaus, Inc., 1150 17th Street, N.W., Washington, DC 20036. $150.00 for first year; $66.00 annual renewals.

***THE DYNAMICS OF MAKING A FORTUNE IN MAIL ORDER**
By Raymond J. Brandell in collaboration with Raymond E. Brandell. Published by Frederick Fell Publishers, 386 Park Avenue South, New York, NY 10017. $19.95. Available through DMA.

ELEMENTS OF STYLE
By William Strunk, Jr. Published by Macmillan Publishing Company, Front & Brown Streets, Riverside, NJ 08075. $4.00.

***ELEPHANTS IN YOUR MAILBOX**
By Roger Horchow. Published by Times Books, 3 Park Avenue, New York, NY 10016. $12.50. Available through DMA.

***FRIDAY REPORT**
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $92.00 for annual subscription. Weekly. Available through DMA.

***FUND RAISING LETTERS**
Published by Emerson Publishers, Inc., P.O. Box 15274, Richmond, VA 23227. $135.00 ($95.00 for non-profit organizations). Available through DMA.

***FUND RAISING MANAGEMENT WEEKLY**
Published by Hoke Communications, Inc., 224 Seventh St., Garden City, NY 10530. $72.00. Weekly. Available through DMA.

THE GALLAGHER REPORT
Published by The Gallagher Report, Inc., 230 Park Avenue, New York, NY 10017. $72.00 for annual subscription. Weekly.

THE GOVERNMENT MANUAL
Office of the Federal Register. National Archives and Records Services, Washington, DC 20408. $6.50.

GRAPHIC ARTS ENCYCLOPEDIA
By George Stevenson. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $21.95.

***GRAPHIC ARTS MANUAL**
Edited by Janet Fields. Published by Arno Press, 3 Park Ave., New York, NY 10016. $65.00. Available through DMA.

***THE GREAT BRAIN ROBBERY**
By Ray Considine and Murray Raphel. Published by Rosebud Books, 25 West Walnut St., Pasadena, CA 91103. $9.95. Available through DMA.

***GUIDE TO AMERICAN DIRECTORIES**
Lists more than 6,500 directories of every kind—over 300 major classifications. Published by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $55.00. Available through DMA.

HANDBOOK OF ADVERTISING ART PRODUCTION
Second Edition, by Richard M. Schlemmer. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $11.95.

***THE HANDBOOK OF CIRCULATION MANAGEMENT**
Edited by Barbara Love. Published by Folio Publishing, 125 Elm Street, New Canaan, CT 06840. $49.95. Available through DMA.

***THE HANDBOOK OF INDUSTRIAL DIRECT MAIL ADVERTISING**
Edited by Edward N. Mayer, Jr. and Roy G. Ljungren. Published by Business/Professional Advertising Association, 205 E. 42nd Street, New York, NY 10017. $10.00. Available through DMA.

***HANDBOOK OF INTERNATIONAL DIRECT MARKETING**
Edited by John Dillon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $49.95. Available through DMA.

***HOW TO ADVERTISE**
By Kenneth Roman and Jane Maas. Foreword by David Ogilvy. Published by St. Martin's Press, 175 Fifth Avenue, New York, NY 10010. $5.95. Available through DMA.

***HOW TO ADVERTISE YOURSELF**
By Maxwell Sackheim. Published by Macmillan Publishing Company, Inc., 866 Third Avenue, New York, NY 10022. $5.95. Available through DMA.

HOW TO PARTICIPATE PROFITABLY IN TRADE SHOWS
By Robert B. Konikow. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $57.50.

HOW TO PREPARE PROFESSIONAL DESIGN BROCHURES
By Gerre Jones. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $16.50.

***HOW TO START AND OPERATE A MAIL-ORDER BUSINESS**
Third Edition, by Julian L. Simon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $24.95. Available through DMA.

HOW TO START YOUR OWN BUSINESS . . . AND SUCCEED
By Arthur H. Kuriloff and John M. Hemphill, Jr. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $39.95.

***HOW TO WORK WITH MAILING LISTS**
By Richard S. Hodgson. Published by DMA. $15.00 for members/$17.00 for non-members. Available through DMA.

***HOW TO WRITE POWERFUL & EFFECTIVE SMALL SPACE ADS**
By Stephen Nevard. Published by DMA. $8.00. Available through DMA.

***HOW TO WRITE SUCCESSFUL DIRECT MAIL LETTER COPY**
By Maxwell C. Ross. Published by DMA. $15.00 for members/$17.00 for non-members. Available through DMA.

INCENTIVES IN MARKETING
By George Meredith and Robert P. Fried. Published by National Premium Sales Executives, 1600 Route 22, Union, NJ 07083. A thorough history of incentives usage and techniques used in the field. $17.50.

***INDUSTRIAL MARKETING MAGAZINE**
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. $20.00 for annual subscription. Monthly. Available through DMA.

INTERNATIONAL MAIL
(Publication 42). Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $9.00.

AN INTRODUCTION TO DIRECT MARKETING
By Chaman L. Jain and Al Migliaro. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $5.00 for members/$7.50 for non-members.

INTRODUCTION TO FULFILLMENT OPERATIONS IN DIRECT MARKETING MONOGRAPH
Published by DMA. $21.95 to members; $24.95 to non-members. Available through DMA.

JOHN CAPLES: ADMAN
By Gordon White. Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $11.95.

***THE LAW & DIRECT MARKETING**
Published by DMA. $95.00 for members/$150.00 for non-members. Available through DMA.

THE LAW OF ADVERTISING
In 2 volumes. By George Eric Rosden and Peter Eric Rosden. Published by Matthew Bender, 235 E. 45th Street, New York, NY 10017. $100.00.

***LETTER PERFECT: HOW TO WRITE BUSINESS LETTERS THAT WORK**
Published by Van Nostrand Reinhold Co., 7625 Empire Dr., Florence, KY 41042. $18.95. Available through DMA.

***MAIL ORDER BUSINESS DIRECTORY**
1983 Edition. Contains information on over 7,500 mail order firms. Arranged geographically by state; product lines listed where known. Now includes phone numbers. Published every other year by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $55.00. Available through DMA.

THE MAIL ORDER CRAFTS CATALOG
First Edition. By Margaret A. Boyd. Well-arranged in 3 sections: by company, craft and geographically. completely cross-referenced. Published by Chilton Book Company, Radnor, PA 19089. $7.95.

***MAIL ORDER MOONLIGHTING**
By Cecil C. Hoge, Sr. Published by Ten Speed Press, Berkeley, CA 94707. $8.95. Available through DMA.

***MAIL ORDER SELLING**
Published by Prentice-Hall, Inc. $12.95. Available through DMA.

MAILER'S GUIDE TO POSTAL REGULATIONS
Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $45.00.

***MAILING LISTS AND LEGAL RELATIONSHIPS**
Published by DMA. $15.00 to members; $17.00 to non-members. Available through DMA.

THE MANAGERIAL CHOICE
By Frederick Herzberg. Published by Dow Jones-Irwin, 1818 Ridge Road, Homewood, IL 60430. $12.95.

THE MARKETING COMMUNICATIONS PROCESS
By M. Wayne DeLozier, Ph.D. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $13.95.

***MARKETING INFORMATION GUIDE**
Published by Hoke Communications, 224 Seventh Street, Garden City, NY 11530. $30.00 for annual subscription. Published every other month. Available through DMA.

***MARKETING PROBLEM SOLVER**
By Cochrane Chase and Kenneth L. Barasch. Published by Chilton Book Company, Radnor, PA 19089. A practice how-to-do-it tool that does exactly what it was created to to—solve your marketing problems. $34.95. Available through DMA.

MEMO TO MAILERS
8-page newsletter. Published monthly by U.S. Postal Service, P.O. Box 1600, La Plata, MD 20646. Available free to firms generating large quantities of mail.

***MORE THAN YOU EVER WANTED TO KNOW ABOUT MAIL ORDER ADVERTISING**
Published by Mason National Publications, 3601 Park Center Blvd., Suite 177, Minneapolis, MN 55416. $19.95. Available through DMA.

***NON-STORE MARKETING (NSM) REPORT**
Published by Maxwell Sroge Publishing Company, Inc., Sroge Building, 731 Cascade, Colorado Springs, CO 80903. $135.00 for annual subscription. Published every other Monday. Available through DMA.

NATIONAL DIRECTORY OF NEWSLETTERS AND REPORTING SERVICES
Gale Research Company, Book Towers, Detroit, MI 48226. Second Edition, Part One, 1978. Detailed current information on newsletters issued on a regular basis by businesses associations, societies, clubs, government agencies and other groups. $36.00.

THE NATIONAL JOURNAL
Published by the Government Research Corporation, 1730 M Street, N.W., Washington, DC 20036. $10.00 per copy, $300 per year.

NATIONAL TRADE AND PROFESSIONAL ASSOCIATIONS OF THE UNITED STATES AND CANADA AND LABOR UNIONS
1978 Edition. Craig Colgate, Jr. and Patricia Broida, eds. Published by Columbia Books, Inc., Room 601, 734 15th St., N.W., Washington, DC 20005. This directory lists about 6,000 national trade associations, labor unions, scientific or technical societies and other national organizations composed of groups united by a common purpose. $25.00.

***NATIONAL SURVEY OF CONSUMERS' ATTITUDES TOWARDS DIRECT MAIL ADVERTISING**
By Robert A. Hansen. Published by MASA, 7315 Wisconsin Avenue, Washington, DC 20014. Vol. I (narrative) $7.50; Vol. II (charts) $12.50. Available through DMA.

NATIONAL ZIP CODE DIRECTORY
(Publication 65). Published by U.S. Postal Service. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $7.50, or old edition may be exchanged for new edition at local post office free of charge.

NEWSLETTER ON NEWSLETTERS
Published by The Newsletter Clearinghouse, 44 West Market Street, Rhinebeck, NY 12572, $36.00 for annual subscription. Monthly.

NEW TRADE NAMES: 1977
Ellen T. Crowley, ed. Gale Research Company, Book Tower, Detroit, MI 48226. Lists consumer trade names, brand names, product names, coined names, model names and design names, with addresses of manufacturers, importers, marketers or distributors. $45.00.

THE PEOPLE MOTIVATORS; CONSUMER AND SALES INCENTIVES IN MODERN MARKETING
By Howard M. Turner Jr. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. This book is of interest to everyone who works in any phase of marketing. It covers such things as premiums, sampling, coupons, sweepstakes, sales incentive plans, use of consumer and sales incentives to implement marketing strategy. $17.95.

PLANNING AND CREATING BETTER DIRECT MAIL
By John D. Yeck and John T. Maguire. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $17.25.

PLANNING FOR CHANCE PROMOTIONS
By Frank T. Dierson, Esq., General Counsel for PMAA. Published by Promotion Marketing Association of America, Inc., 420 Lexington Avenue, New York, NY 10017. $25.00 plus $5.00 update.

POPULATION PROFILE OF THE UNITED STATES; 1977
A broad range of statistics on U.S. population growth and distribution, social characteristics, employment, income, and race. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $2.30.

POSTAL LAWS
Transmittal Letter No. 24, December 12, 1974. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $3.25.

POSTAL WORLD: THE WASHINGTON NEWSLETTER FOR MAIL USERS
Published by JPL Publications, Inc., 128 C Street, N.W., Washington, DC 20001. $84.00 annual subscription. Bi-weekly.

A PRACTICAL GUIDE TO NEWSLETTER EDITING & DESIGN
By LaRae H. Wales. Published by Iowa State University Press, South State Avenue, Ames, IA 50010. $2.50.

PREPARING ART AND CAMERA COPY FOR PRINTING
Contemporary procedures and techniques for mechanicals and related copy. By Henry C. Latimer. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $22.40.

PRINTING AND PROMOTION HANDBOOK
By Daniel Melcher and Nancy Larrick. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $21.95.

PRINT PROGRESS AND PERFORMANCE
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